

# The Management Review

THE MONTH'S  
BEST IN  
BUSINESS  
READING . . .

Personnel  
Production  
Office Management  
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Books of The Month

**AUGUST, 1952**

## Among the Features

**We Can Prosper Without War Orders**  
**Management Problems in the Factory of**  
**the Future**  
**Should We Employ Ex-Prisoners?**  
**Building Editorial Balance into Company**  
**Publications**  
**Stenographic Testing Program Pays Off**  
**What Can Be Done to Improve Office**  
**Operations**  
**Changing Attitudes in Quality Control**  
**Noise and Work Performance**  
**The Customers Are Getting Older**  
**Why Do People Buy?**  
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## AMERICAN MANAGEMENT ASSOCIATION

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Volume XLI No. 8  
AUGUST, 1952

## A Partial List of Contents

# The Management Review

### GENERAL MANAGEMENT

We Can Prosper Without War Orders (The New York Times Magazine)	478
Management Problems in the Factory of the Future (Factory Management and Maintenance)	481
True Confessions of an Executive (Research Institute of America)	484
Is Big Business Too Big? (Business Week)	484
Labor Productivity and the Soviet Challenge (Mill & Factory)	487

### PERSONNEL MANAGEMENT

Should We Employ Ex-Prisoners? (Canadian Business)	490
Building Editorial Balance into Company Publications (By Robert D. Breth)	491
Retirement Policies: Do Companies Practice What the Experts Preach? (Princeton University)	494
Recognizing Problem Drinkers in Business and Industry (The Journal of Business of the University of Chicago)	496
The "Buzz" Technique for Meetings (Personnel Newsnotes)	498

### OFFICE MANAGEMENT

Stenographic Testing Program Pays Off (By Robert Sassaman)	501
What Can Be Done to Improve Office Operations (By E. G. Niehaus)	503
Ripe for Revolution (Best's Fire and Casualty News)	505

### MANUFACTURING MANAGEMENT

Changing Attitudes in Quality Control (By Frank H. Squires)	507
Noise and Work Performance: What Research Really Shows (The Acoustical Spectrum Inservice Course Proceedings No. 38)	511
Noise Control at Allis-Chalmers (Personnel Newsnotes)	512

### MARKETING MANAGEMENT

The Customers Are Getting Older (Business Week)	515
Why Do People Buy? (Sales Reminders)	516
Establishing a Sales Budget (Dartnell Sales Service)	518
Company Preparations for Competitive Selling	519
Some Do's and Don'ts for Messages to Salesmen (Grey Matter)	522

### FINANCIAL MANAGEMENT

How Much Internal Auditing Is Enough? (Edison Electric Institute Bulletin)	525
Share Ownership in the United States (By Lewis H. Kimmel)	526
Impact of Salary Control and Income Taxes on Executive Pay	529

### INSURANCE MANAGEMENT

Reducing Insurance Costs (Best's Fire and Casualty News)	532
Putting Pension Funds to Work (For Your Information)	533
Executives Need Pensions, Too (By J. H. Shreiner)	536

### SURVEY OF BOOKS FOR EXECUTIVES

### BRIEFER BOOK NOTES

### PUBLICATIONS RECEIVED

564

## General Management

### WE CAN PROSPER WITHOUT WAR ORDERS

**W**ITHOUT DOUBT the most damaging charge made against the United States in recent years is that we cannot afford real peace. Rearmament, it has been argued, is necessary for maintaining full employment (and also high profits) in American industry. American foreign policy, being the handmaiden of domestic economic policy, can't seriously seek alleviation from world tensions, for that would put the domestic economy into a frightful tailspin.

The first part of the indictment—namely, that rearmament and military aid are really inspired by the need to prop up the American economy—can be disposed of rather quickly.

To believe it one must also believe that there have been no acts of aggression against the West and, particularly, no invasion of South Korea, for, clearly, it was these that precipitated rearmament. One must also forget the enthusiasm with which the United States disarmed in 1945-46 when peace looked possible and a serious depression exceedingly probable. One must also ignore the fact that, so far, the cost of rearmament in the United States has been paid out of current taxes—were rearmament only for the sake of maintaining output and employment we should be financing it by borrowing. Finally, it must be believed that the United States Government, a rather blunt instrument on most matters, has in this instance been able to pull off a giant public works program in strict military disguise, and that we have become so docile as to allow a trick of these proportions to be perpetrated before our eyes.

If domestic economic necessity has no bearing on armament and defense, it follows that we accept the threat of depression, however grave, if that is the price of peace. Unfortunately the possibility of depression, in the event of a dramatic reduction in arms budgets, cannot be dismissed as an idle bogey; if it could, the threat of this misfortune would not be serving the Communist cause so well.

However, within the limits of certainty that the uncertain subject of economics allows, two things can be said of the kind of depression that might follow even the most dramatic cutback in military expenditures. First: there is no chance of another disaster like that of 1929. Second: a good deal more could and would be done about it.

The list of misfortunes of the early Thirties which could not recur is impressive. Between 1929 and 1932, for example, farm incomes and prices fell spectacularly. Farmers were heavily in debt, and perhaps a million of them lost their farms. By contrast, farmers are now exceedingly solvent; mortgage debt amounts only to about \$6 billions as compared with \$10 billions in the smaller economy of 1929. Above all, any drop in farm prices and farm incomes would now be checked by government support prices which farmers and their congressmen have taken care to see are far above depression levels.

Similarly, the unions would now be able, as they were not 20 years ago, to prevent competitive wage cuts. A substantial body of economic opinion would

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now also agree that resistance to such cuts in purchasing power is proper anti-depression policy.

In the Thirties the worker who lost his job was dependent on his own savings or meager public and private charity. Unemployment compensation now provides a floor under his standard of living and hence his spending. With deposit insurance there would be no frantic runs on the banks or frenzied hoarding of cash. A depression would undoubtedly bring some business insolvencies, including some, no doubt, in surprising places. However, no one can suppose that either corporate financial structure or home finance is as vulnerable now as it was left by the strange fiscal aberrations of the great Bull Market.

Finally, broader income taxes have the effect of automatically reducing tax liability as incomes fall and thus releasing income for private spending. It is doubtful if many Europeans or all Americans realize how much stability has been built into the American economy in the last 20 years.

All this concerns what economists once called the short cycle, the immediate consequences of a shift from a military to a peacetime economy. What of the longer perspective? Can the United States continue to find a peaceable outlet, year after year and decade after decade, for its very considerable productive energies?

The answer is, "Yes, we can prosper without war orders." Here the answer depends less on economics and more on a broad assessment of social need. By any past standard, the American people in the last five years have been living in a condition of considerable opulence. Moreover, the average family income—about \$3,300 in 1950—no longer conceals a vast number below the poverty line.

It has been easy to go on from this condition of comparative well-being to formulate a theory that demand has been saturated, and many have done so. After all, it is said, when families have all the food they can eat, are adequately clothed, are adequately housed and own all the standard gadgets, what is there left for them to buy?

The question is absurd. Families with a present income of \$6,600—or twice the average—have not the slightest difficulty in spending their money. So easily acquired is the amiable art of spending money that the same is true, though with some increase in saving, of those with three or four times as much.

In a world fully at peace, the United States could afford a higher level of consumption from its total annual product than in the past. We have become so accustomed to investment and expansion that it is in some danger of becoming a god to be worshipped for its own sake. Like all other things in economics it should be subordinate to individual preference. In a peaceful world, more years of better education, more time for enjoyment of home, the arts, the countryside or, for that matter, going to the races might be preferred to more steel mills to produce more automobiles, refrigerators, television sets, and other gadgets yet unborn.

Yet it is difficult to foresee any shortage of claims on the savings which a peaceful America would have available for investment. There is much work to be done here at home. Both a growing population and the dynamics of technical change will continue to make substantial demands on private investment resources. In housing alone, there are enormous shortages to be made up. In the field of public enterprise, there are schools, roads, hospitals and slums requiring attention. Peace would not quell the ambitions

of dam-builders and land reclaimers—and the Missouri, as we have recently been reminded, is still untamed.

More important, peace would not quiet the ambitions of the hundreds of millions of people in the so-called backward lands who must have the help of the United States if they are to make progress toward better living. There can no longer be any doubt that such progress is wanted.

Unfortunately, this is a task in relation to which even the resources of the United States are, in fact, pathetically small. We have not yet developed the techniques for providing assistance to the less fortunate masses of Asia, Africa, South America and Europe, and this is far from a mere detail. I am not certain that we can provide the requisite funds, year after year in the necessary volume, from budget appropriations. I am even more skeptical of those who say, blithely, that private investment will do the job. Perhaps we shall need some new kind of instrument for the task—some extra-governmental authority which will channel resources into foreign investment and in which

public funds will insure regularity and provide a safety buffer for such private savings as are made available.

These problems remain. What is certain, however, is that men, machines, or their counterpart in investment funds must not and cannot remain idle in the United States when they could be serving the urgent demands of other countries. The moral case for the matching of resources to need is strong even in a day when to make a moral case for a proposition is commonly considered a sign of weakness. The practical case—the case that arises out of self-interest—is even stronger.

One can acquire a spurious reputation for hard-headedness by asserting that questions concerning peace had best be left until the day when peace is more nearly assured. This is poor policy. Certainly there are more immediate tasks. But we cannot allow the world to suppose that we consider these more than a means to an end, or that the peaceful end we seek is something of which we are in the slightest measure afraid.

—J. K. GALBRAITH. *The New York Times Magazine*, June 22, 1952, p. 7:3.

### How Old Executives Fade Away

**WHAT DO EXECUTIVES DO** if they don't die in the saddle?

Very often, arteriosclerosis soon catches the idle executive with a stroke. But those who stay alive have no great secret. Their best advice seems to be to get interested in something new, and preferably before retirement.

Some executives in their 40's and 50's are planting trees on their farms and planning to sell Christmas trees or nursery stock when they're retired. Many ex-managers are taking government jobs; the purchasing agent for the State of Illinois is a retired Sears, Roebuck executive. Others are running welfare campaigns, serving on hospital boards, doing anything that gives them the sense of being useful.

And there are now several management-consultant firms manned by retired executives. One of these firms, Management Counselors, Inc., of New York, was organized two years ago by Alfred L. Hart, an energetic ex-distributor for General Electric. The firm now includes 50 former top management men offering "2,000 years of experience" in practically everything from controllership, production, and sales to "governmental relations."

Some executives do better than others in retirement, and those who have been wise enough not to devote themselves totally to business seem to do best of all.

—*Fortune* 6/52

## MANAGEMENT PROBLEMS IN THE FACTORY OF THE FUTURE

THE FACTORY OF THE FUTURE will be highly automatic. In it we'll have more and more machines, releasing more men and women to make decisions, to do thinking. By 1960 our population will shoot up rapidly, and, as a result, our economy will have more people to support. So, if we want to go on improving our standard of living, we'll have to make large gains in productivity, and these can be brought about only by automatic production.

You can't say exactly when the automatic factory of the future will come in your industry—in 1953, 1960, or 1965. However, you can be reasonably certain that it will come. Here are some of the readjustments you'll be making and some of the problems these will bring:

*You'll have to re-evaluate functions.* Production is always going to be important, but other functions are going to pull right up even with it—or even pass it. Why? It's a big job just to engineer technological improvements. But it's a far bigger job to cope with them, once they're in. Servicing, maintaining, scheduling, and controlling them will be jobs of unprecedented importance.

*You'll be organized more tightly, not more loosely.* Because tomorrow's factory will be based on closer teamwork between machines, it will require closer teamwork between people. As one operating executive puts it: "We've found you need to streamline your organization when you 'go automatic.' "

*You'll make much more use of "task forces" of specialists.* They'll help get fast communications and good co-ordination among men with various backgrounds. And you'll find the specialist team idea a fine way to train men.

*You'll put more emphasis on fast com-*

*munications.* The amount of technical information needed to get along in the industrial world of tomorrow is going to be too great for any one man to possess. More and more, the decisions that affect the welfare—even the survival—of a company will have to be made by technical experts, operating at relatively low management levels. To make decisions, to get fast operating results, two-way communication at lightning-fast pace will be needed.

*You'll be less tolerant of second-raters in management.* "The plant of the future will separate the men from the boys—fast. The demand for brains, adaptability, skill at timing, and technical know-how will be so great that there will be even less room than there is today for second-raters."

That's the conclusion of a man who has visited hundreds of plants in the past several years—himself an operating executive and president of a small company. It's practically a universal conclusion.

But these requirements aren't enough. Says Sheldon Kavieff, Assistant Plant Engineer, De Soto Motors Corporation: "We think attitudes are our greatest asset—willingness to admit things can be done. . . . We must have men who spark to ideas."

*You'll have to have higher-skilled workers.* You'll probably have fewer workers, per unit of output, but you'll be making a big mistake if you expect machines to wipe out the need for human skills. "True, we can use semi-skilled labor at the operator level. But we'll need even higher skill to understand and maintain the machines and to make the tools for the machines," states O. E. Carl-

son, Vice President, Servo-Tek Products Company, Inc.

*You'll have to train longer—at higher cost.* Today the great bulk of training is done on the job, but for the skilled maintenance and service workers of the future, extended training along the lines of apprenticeship will be needed. For technical and engineering specialists, supplementary training courses in or out of the plant will be on the must list, and programs of guided job rotation or progression will undoubtedly be required. In both these situations far more emphasis will be placed on the kind of training that's long, hard and costly.

*By and large, you'll face different employee attitudes.* The factory of the future is going to endow you with a more alert, more interested, more enterprising workforce. You should find it easier to get workers interested in their jobs and their company. But you'll also find you must do a better job of human-relations management. Employees who have more to give demand more in turn.

*You'll add "bio-mechanics" to your vocabulary.* As plants get more automatic, decisions get more critical and mistakes more costly. The human factor becomes more important. So human engineering, or "bio-mechanics," will come more and more into its own.

*You'll judge operating efficiency by new standards.* With more automatic operation you'll have to emphasize the machine that produces the output more heavily than the people.

Continuity of operations and percentage of machine utilization will be exploited more heavily as it becomes increasingly important to get more accurate measures of the direct contribution of so-called "staff" functions to output.

*You'll find production and inventory control tougher.* As one production plan-

ning superintendent puts it: "The need for better production planning and control grows in direct proportion to plant productivity. New, fast, high-production machines cost more to buy, cost more per hour to operate—and to delay. So you've got to be really on the ball to keep materials moving, machines loaded."

And how will production and inventory control be better in the plant of the future? Primarily by keeping pace with process mechanization. High-speed communications, coupled with much less paper work and delegation of key decision-making authority farther down the line, will more than hold their own with advances in production. The decision-making will still be done by people, not computers.

*You'll use more incentives.* You'll have to scratch to find the right kinds of incentives in the factory of the future. The use of "pre-determined time standard" systems is due to grow. But, as operations get more automatic, there will be less interest in trying to relate incentive earnings to individual effort. Overall results will be more important. You will find more applications of incentive plans based on quality of output, material utilization, and even maintenance time and cost. There will also be many more financial incentives for supervisors.

*You'll be facing short labor supplies and higher labor costs.* As a result, you will have ample incentive to mechanize your operations more and more.

*You'll have union trouble.* Looking for a labor relations "millennium" in the plant of the future? Don't. Because your employees will generally have reached higher educational and skill levels, troubles will probably not be as tough. But they'll still be there.

For one thing, you haven't heard from AFL on technological progress. Second,

you haven't yet hit the big problem of the plant of the future—the problem of preserving basic maintenance craft skills while at the same time having flexibility to cross over craft lines in plant work.

—M. J. MURPHY. *The Factory of the Future*. 96 pages, 50 cents (reprinted from *Factory Management and Maintenance*, April 1952).

Moreover, as time goes on, there will be less and less danger that maintenance men—of all plant workers—will ever work themselves out of a job. The problem is, and will be, to find enough of them.

### **Business Expectations Dimmed, Survey Shows**

FADING OPTIMISM in contrast to the high hopes expressed in an earlier (December, 1951) poll is noted in nearly half of the 28 manufacturing industries represented in a recent survey of business opinion by the Conference Board.

Some executives believe that the postwar boom is nearing an end; others point to increased competition resulting from a high rate of production, the growing availability of materials formerly in short supply, the tapering off of the national defense effort, and "strikes and labor unrest."

Lower sales, coupled with higher taxes and increasing wage rates, are now expected to reduce the net profit figure below the 1951 level in two-thirds of the companies surveyed. Only 47 of the 228 cooperating companies expect more sales in 1952 than they had foreseen at the end of last year—largely as a direct result of the relaxation of government controls, for the bulk of the more optimistic companies are in the automobile and construction industries and allied fields.

With only three exceptions, every industry group expects to earn smaller net profits than last year. The exceptions are the petroleum, food, and miscellaneous metals industries. In some industries, not one single reporting company hopes to earn more profits after taxes.

Four factors are most prominently credited with the anticipated drop in net profits: price cuts; increased labor costs plus the reflection of labor costs in purchased materials which are bound to result from the steel settlement; the increased tax-rate structure; and renegotiation.

### **What Is Youth?**

YOUTH IS NOT a time of life—it is a state of mind. It is not a matter of ripe cheeks, red lips, and supple knees; it is a temper of the will, a quality of the imagination, a vigor of the emotions; it is a freshness of the deep springs of life.

Youth means a temperamental predominance of courage over timidity, of the appetite of adventure over love of ease. This often exists in a man of 50 more than in a boy of 20.

Nobody grows old by merely living a number of years; people grow old only by deserting their ideals. Years wrinkle the skin, but to give up enthusiasm wrinkles the soul. Worry, doubt, self-distrust, fear, and despair—these are the long, long years that bow the head and turn the growing spirit back to dust.

Whether 70 or 16, there is in every being's heart the love of wonder, the sweet amazement at the stars and the starlike things and thoughts, the undaunted challenge of events, the unfailing childlike appetite for what next, and the joy and the game of life.

You are as young as your faith, as old as your doubt; as young as your self-confidence, as old as your fear; as young as your hope, as old as your despair.

—ANON.

## TRUE CONFESSIONS OF AN EXECUTIVE

HOW DOES A top executive really spend his working day? In a recent survey, five typical executives were asked to arrange for their secretaries to keep three-month diaries. Here are the key confessions of weak spots—and possible remedies:

Communication with management people at the same level was erratic. "Pressure" led to postponing a talk with the man next door until "later"—and "later," more often than not, never arrived. The executive's operations weren't in gear; he worked on problems that had already been licked elsewhere, and made decisions he had to change.

To solve these problems, two of the executives took these approaches: One got the president of his company to schedule an executive lunch twice a week which all members of top management were expected to attend. The second man arranged for his secretary to remind him daily to spend some time with one of the five men on the same level.

A definite working rhythm emerged from the diaries, but the men found they didn't realize it and didn't adjust to it

properly. Thus a "letdown" came around 10:30 and another right after lunch. Each man took what he described as a "break." One "visited around." Another switched to routine, mechanical work. A third "stared, as if hypnotized, at sales charts I know by heart anyhow." However, these methods of interrupting the work rhythm tended to prolong rather than shorten the slump. A solution was to recognize the need for a break frankly, and keep it under control.

The load of details was found the main villain, of course. The most common fault was over-checking of work delegated to others. To overcome this difficulty, executives were advised to ask themselves these questions: Could better inventory control save time spent running down figures? Is time wasted chasing decisions which could really be bundled up in a clear statement of policy? Are there hangovers from days when the business was smaller—like having a top executive sign all checks over \$200? It is in areas like these, the survey indicated, that some valuable executive time, energy, and creativity can most easily be salvaged.

—Executive Policy Letter (Research Institute of America, Inc., New York 17, N. Y.).

## IS BIG BUSINESS TOO BIG?

ORDINARILY, management thinking stays pretty close to form. Executives rejigger their organization charts, add a level here, subtract one there. They take personnel inventories, fill gaps in their executive development programs, install salary or inventory controls, and set up incentive systems.

But once in a while you run across executives who've taken the time to look deeper. Recently, for instance, an officer of one of the big U. S. corporations let

down his hair. He didn't want to be identified, but here's the gist of what he said:

We're coming to the conclusion that our company is just too cumbersome. It's too big to be an effective organization. We think motives that really have been behind the growth of American industry are being lost.

As business men, we all preach against socialism in government. But isn't it true that the big American corporation

has created one of the great socialist states? There are hospital benefits, pension plans, job security—subsidies right down the line.

Besides that, we are just as bureaucratic as any government. Our people—four, five, or six levels down—are as far removed from the source of their livelihood as the Indians were from the Great White Father. When a production man spends a dollar of company money, it isn't one that has any connection with him. It belongs to *them*, up there somewhere.

Is it any wonder, then, that business men today have found out they have to get out and sell the profit system? Most of our people—and I don't mean the rank and file—don't know what the word means. To them, the profit system is how they get paid. For most people, the pay check is all they see of the profit system.

Critics will say: "So what? You are still in business and growing." The answer to that is easy. By sheer momentum, a big corporation will carry forward. We're afraid we—and our competitors—have been living on that momentum.

That's the reason we are beginning to change our philosophy. Instead of creating functionaries of top management, we

want business men running our corporation. Not just a few at the top, but right down the line, as far as you can take it.

Some of that already has happened. The product-line type of organization is an example—and certainly has proved valuable. We should hope to go further, to break down the organization into even smaller profit-and-loss units. Then you would have small business men scattered throughout your company. They'd know that the dollar they spend doesn't come from some remote cornucopia. Performance wouldn't be measured by production or sales. It would be measured by one thing: return on investment. Each small unit would have a profit-and-loss statement, plus a balance sheet. Common stock, capital investment, taxes, indebtedness of the big corporation would be prorated among the small units to make each a business unto itself.

You might even distribute to the managers of these small units nontransferrable stock based on the current book value of their part of the over-all business.

That way you would keep the benefits of large-staff planning that only big corporations can afford. But also you'd have motivation from the bottom levels of management that just doesn't exist today.

—*Business Week*, April 5, 1952, p. 86:1.

### **Government-Industry Relations—The Government's Side of the Story**

IN AN ATTEMPT to measure the effectiveness of industry and government in keeping abreast of each other, and to aid both in narrowing the gap between them, Washington Industrial Research Consultants, Inc., has discovered a feeling on the part of government representatives that business men do not clearly define or explain their problems. Often the agencies are unable to get objective advice from business men. Thus actions taken by the agencies are often unsatisfactory to both the agencies and the business men involved.

Queries to the members of Congress and to the executive agencies from business and industry are increasing. Most are related to current control measures rather than to longer-range industrial planning. Price stabilization, allocations, wage sta-

bilization, and taxes, in that order, are of most concern to business, judging from inquiries to the members of the Congress, followed by fair trade practices, credit controls, housing, rents, availability of domestic raw materials, use of public lands, labor, financing, tariffs, electric power, transportation, communications, patents, trademarks, and copyrights, foreign trade, export-import permits, availability of foreign raw materials, and "V" loans. Of the industrial inquiries received by both Congress and the executive agencies approximately half request information or interpretation. The remaining half seek assistance in changing an existing law, regulation, or ruling.

Members of Congress reported 28 per cent of their queries to be so lacking in clarity that they had to be returned to the senders for further information, and the executive agencies indicated that 52 per cent of their requests required further information from the senders before they could be properly considered.

Of inquiries to the Congress, 77 per cent required reference to the appropriate executive agency; 23 per cent could be answered without reference elsewhere. No member of Congress reported less than 10 to 25 inquiries each month from industry; 22 per cent reported 25 to 50; 22 per cent reported 50 to 100; and 44 per cent reported over 100. Seventy per cent of the members reported an increase, 25 per cent a decrease, and 5 per cent no change.

Many representatives of the executive agencies commented on the benefits—both to industry and government—of industry advisory committees. They would like to see more such committees with a wider, alternating industrial representation.

### ***The Beauties of Learning***

THE PERSON who quits learning upon leaving university or school is giving in to an idea of limited usefulness, limited satisfaction, and limited happiness. He is contributing to his own bewilderment and feeling of insecurity in a fast-moving world. Continuing education qualifies us to bring relevant background to bear upon current problems, to gather information pertinent to the question in hand, to grasp relationships between this state of affairs and another, between this person's action and his social environment, and—this is the aim and object of it all—to make a judgment in the light of clearly defined values and our information.

It is not in terms of years that maturity is to be measured, nor in terms of knowledge. To be mature is to use knowledge wisely. The mature person has learned and is learning; he has experienced and is daily taking note of his experiences; he has achieved the ability to weld these two, knowledge and experience, in his own mind and to produce judgments and plans.

—*The Royal Bank of Canada Monthly Letter* 5/52

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### **"RED HERRINGS, MINK COATS, AND MANAGEMENT": A NOTE TO THE EDITOR**

Mr. Robert D. Breth's delightful article in the July issue of *THE MANAGEMENT REVIEW* points up a most vital issue—the bad emotional color which can become associated with almost any word through lack of definition. But with reference to the word *management* he should have added, to complete the record, the definition appearing currently in the *Concise Oxford Dictionary*, probably the most widely-used book of reference in the English-speaking countries outside the United States. It reads:

Management, (1) in verbal senses, also or especially, trickery, deceitful contrivance; (2) the m., governing body, board of directors.

The lexicographers have loaded the dice.

—LYNDALL URWICK

## LABOR PRODUCTIVITY AND THE SOVIET CHALLENGE

**N**ONE OF US can predict the future, but it is abundantly clear that Soviet planning is not pointed at a short-term contest of strength and wills with the Western nations. Thus, if we are to hold our own, we must abandon the thinking that mobilization for us will be a sprint and then a long and easy glide into peace and security.

It is folly to under-estimate the capabilities of the determined, self-declared enemy of "capitalism," which has changed from a backward nation to a world power since it initiated comprehensive "planning" in 1928. We may contend that the Soviets are backward in many telling respects, but we cannot gainsay their remarkable accomplishment in industry—including the complex fields of jet-plane and atomic-bomb development. If "peaceful co-existence" continues, the Soviet challenge is bound to grow more serious.

Before discussing Soviet progress in productivity, we should note some features of the Soviet drive to increase output, the labor force, and efficiency. In Russia, everyone must work. Unemployment has been officially "abolished" since 1930. The length of the work year has been continually increased since the early 1930's. The six-day, 48-hour week became standard after World War II. Overtime is obligatory. Mobility is restricted by a job freeze. Skilled workers may be allocated wherever needed. There is also a labor draft for youths. Trade unions cannot call strikes or bargain over wages and hours. Their function is to administer social insurance and seek new ways to increase the output of their members.

Other features of the drive for high output and productivity include "socialist competitions" within and between estab-

lishments and stern penalties for breaches of factory discipline, absenteeism, and defective output.

The official Soviet estimates of industrial production per worker claimed a higher level for 1950 than ever before. The ratio for that year was said to be 37 per cent above the 1940 figure. It was also supposed to be nearly five times the 1928 figure, 6.5 times the 1913 figure, and about 10 times the 1900 figure. The annual rates of growth implied for these periods are much higher than the 2 per cent indicated by the usual statistics for output per worker (3 per cent for output per man-hour) in our own country over the past half century.

If the methods of measurement commonly applied in the United States could be applied to Soviet data, the Soviet experience would not seem so remarkable. Alternatively, the adoption of Soviet measurement techniques would show American development to have been much more rapid than 2 per cent per year. American measurements would probably show a decline in Soviet output per worker in the initial years of planning, a substantial rise in the 1930's, a setback between 1940 and the first post-war years, and a 1950 level no higher than prewar. Still, the Soviet rise could well have been more rapid than our own in recent years, if only because Russia started from a low level. It must also be noted that the American pace permitted the maintenance of high standards of consumption, leisure, and civil liberties.

From all impartial figures it appears that the Soviet Union has been outclassed in productivity and output per capita, despite its claims. Its leaders and economists made the mistake during the 1930's of assuming 1929 to be the high point

of American development. Our progress since that time has, of course, been very substantial.

But what about the future of the Soviet-American productivity differential? A long period of "peace" would doubtless favor the rise of Soviet productivity as routines of operation become better established. In the long run, the mechanization and automatization of auxiliary tasks within industry—one of the Soviet's greatest needs—could presumably be accomplished.

On our side, there are tremendous potentialities in recent and foreseen technological developments. The adoption

and diffusion of these developments could well increase the present productivity differential. However, it will be necessary to have business conditions favorable to the application of new devices and processes. It will also be necessary for labor and management to continue to find ways to divide the economic product without undue prejudice to the size of the total.

The USSR is a formidable opponent despite material weaknesses. If "peace" prevails, a casual American hare could still lose the race to a persistent Russian tortoise.

—IRVING H. SIEGEL. *Mill & Factory*, March, 1952, p. 79:5.

### **Billions for Research**

SINCE 1941 the Federal Government has spent about \$10 billion for scientific research and development, reports Paul R. Beall, scientific consultant of the Air Research and Development Command, Baltimore, Md. This is more than three times as much as the Napoleonic Wars, which lasted 25 years, cost in money. This year, according to Beall, the Government will spend \$1,600,000,000 for research and development, which is more than half of what the nation as a whole will spend, or \$2,900,000,000.

There was a time when industry and the universities carried on more research than the government. The development of such inventions as the atomic bomb has changed the picture. Privately financed research will amount this year to \$1,300,000,000. Of this sum industry will spend about \$1,100,000,000 and universities and other institutions the rest.

What government agencies spend these huge sums? According to Beall, there are about 22, among them the Atomic Energy Commission, the Department of Agriculture, the United States Public Health Service and, of course, the Department of Defense.

A good deal of research is done on a contract basis for the government. The reason is that great industrial organizations, universities, and some foundations have the facilities. Thus one great university with more than \$10,000,000 worth of contracts will do this year more research for the government than all the academic institutions in nine other states. There is no favoritism in all this. The contracts simply go where the scientists and facilities are to be found. The military departments carry on much research in their own laboratories, but they also have contracts with about 1,500 industrial organizations and 150 colleges and universities.

The subjects in which the Army and Navy and Air Force are interested cover about everything from food containers to vacuum tubes, but most of the money is spent on electronics, ordnance, guided missiles, and aeronautics.

About 70 per cent of the total national supply of research engineers and scientists are working on problems assigned by the Department of Defense and by the Atomic Energy Commission. Hence the difficulty that industry has in finding good researchers and hence the scramble for graduate students who have received a sound technical training.

—*The New York Times* 7/20/52

## Also Recommended • • •

**COMPANY PRESIDENTS LOOK AT THEMSELVES.** By J. Elliott Janney. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), May-June, 1952. A condensation, without names, of thousands of confidential interviews between company presidents and the psychological consulting firm with which the writer is associated, with special emphasis on intelligence, emotional control, skill in human relations, insight into human behavior, and ability to organize and direct the activities of others. It is shown that the men who seem to build the most enduring organizations have most of the following character traits in common: (1) They are magnanimous; (2) they possess great humility; (3) they are men of faith.

**THE CULT OF THE INCOMPREHENSIBLE.** By Sir Norman Angell. *The Rotarian Magazine* (35 East Wacker Drive, Chicago 1, Ill.), May, 1952. We stand on the edge of annihilation, says this distinguished British author and economist, because of our deficiency in human communications. There is passionate disagreement, he points out, on the meaning of such words as "democracy," "freedom," and "justice," as well as such words as "oppression" and "imperialism." The first obligation of everyone who deals with words is to express his meaning clearly and thus promote the human understanding upon which our actual physical survival may depend.

**HOW GOOD AN EXECUTIVE ARE YOU?** *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), May 15, 1952. Here is a checkup chart with 38 questions and a set of multiple-choice problems by which any executive may rate himself and form an objective judgment of his over-all effectiveness in the areas of self-management and management of his job and his subordinates. The chart material is based on the experience of well-known management consultants, industrial psychologists, and companies excelling in executive development.

**WHAT HISTORIANS TEACH ABOUT BUSINESS.** By Edward N. Saveth. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), April, 1952. The historian plays an important role in shaping public attitudes, and much anti-business feeling may be attributed to the unsympathetic role historians have traditionally assigned to business men. Dr. Saveth points out that historians have been handicapped by lack of available information and that they should have more cooperation from business than

they have thus far received. The majority of business men, he says, are apathetic toward integrating into the main stream of American history the plans, aspirations, frustrations, and idealism that are part of the greatest record of material achievement the world has ever known.

**CENTRALIZATION VS. DECENTRALIZATION.** By J. Richard Hallock. *Systems and Procedures Quarterly* (Box 96, Madison Square Station, New York, N. Y.), March, 1952. Centralization of the huge Ford Motor Co. organization had resulted in these dangerous weaknesses: A lack of adequate accounting records made it impossible to discover unprofitable areas; tools, processes, and materials became highly specialized, with the result that Ford lost out on sources of supply. These were only a few of the faults remedied by decentralized control.

**SHOULD THE BOSS HIRE HIS SON?** *Changing Times: The Kiplinger Magazine* (1729 H Street, N.W., Washington 6, D. C.), May, 1952. A discussion of the father-and-son-in-business problem, from the standpoint of each. Some suggestions for fathers: Guide but don't manage your son's future; let him spend some years working elsewhere; compare him with his contemporaries, not with yourself; discuss the problem with your job associates and employees; let your wife have her say. Some suggestions for sons: Be guided by your own interests and abilities; go in with your eyes open; listen to what the old man has to say; get your wife's opinions on the subject. Advice to both: If possible, make it a tentative arrangement, and keep the door open for reconsideration.

**INDUSTRY ON THE MOVE AND PR.** By William Schulz. *Public Relations Journal* (2 West 46 Street, New York 36, N. Y.), May, 1952. When a large industry moves from one part of the country to another, as so many are doing today, important public relations problems are created, not only in the new area but also in the community left behind. This article describes how General Electric Company successfully solved such problems when it moved its Major Appliance Division from Connecticut to Louisville, Kentucky. One gracious gesture which paid dividends in public relations: a letter signed by the general manager was sent to some 2,500 local and state leaders in the new area as well as to every resident in the community in which the plant was to be located.

## Personnel Management

### SHOULD WE EMPLOY EX-PRISONERS?

BECAUSE THE PRISON population tends to remain the same or to increase, we often think of criminals as "put away safely." However, 95 per cent of the inmates of our jails and penitentiaries will eventually be released. Every single day men are released, some after short sentences, some after long ones.

Society, of necessity, takes an interest in what happens to these men. There are three main possibilities ahead of them. A small minority may just disappear, as a man does who slips away to sea as a deckman. Others will return to anti-social conduct and, in due course, be sent back to a jail or penitentiary. Still others, having learned new skills or new attitudes, or both, during their sentences may become re-established as safe, productive members of the community. This third possibility is, of course, the most desirable. However, rehabilitation cannot be expected unless a satisfactory job for the released person is forthcoming.

This brings the matter to the doorstep of the employer. What is the business man going to do about employing a man who has a criminal record? The two attitudes that must be avoided are, on the one hand, "once a criminal, always a criminal" and, on the other, "the chap has paid his penalty and I must give him a break." The former is both untrue and harsh; the latter appears to be almost maudlin sentimentality. The sensible employer will recognize that he is a vital part of the program initiated by the authorities. He will also realize that since crime is a social blight, the most favorable forces in society must be mobilized to eradicate it. What he may not know is

that, once an ex-criminal has been satisfactorily placed, he usually becomes a loyal and productive employee. Like any other handicapped person, he may outdo himself to build up a record of performance and make up for lost time.

Occasionally the employer says that he has already been bitten trying to help an ex-convict. To balance the ledger, it's also true that there is hardly one large employer of labor who has not known at least one ex-convict who has been successfully rehabilitated.

To guide employers in this tricky matter of ushering a former convict back into a decent and happy life, certain principles need to be kept in mind.

First, in all but the rarest instances, the employer should work hand in hand with a professional agency. Successful rehabilitation will always depend on individual selection. The agencies have access to the records of a man's past and a report on his conduct in the jail or penitentiary. They can also advise on the degree and kind of supervision required and are in touch with the family situation, with the priest or minister, and so on.

Second, the prospective employer shouldn't think that he can judge when a man with a record appears sincere. The worse the criminal, the better the alibi. Neither can one go by looks. We must recognize that included in the penitentiary group we have most of the psychopathic cases. That is, a certain percentage of those who gravitate to the "postgraduate center" for criminals are those who seem constitutionally incapable of moral behavior. They do not willingly do things that they know to be wrong, but they

don't seem to understand the difference between right and wrong. The number of these advanced cases of social degeneration is usually given as about 40 per cent of the penitentiary population.

The question of risk must therefore be left to professionals and even they often have misgivings after full study of the case. No one will predict a certain rehabilitation. But the agency will honestly give the employer the gambling odds for success, and these become better as time goes on. Looks, manner, and verbal ability, however, are not the vital data.

Third, the employer should regard it as a social duty to assist the agencies in placing their clients. Here is a potential labor supply and using it will serve a dual purpose. The thing to remember is that if no one will employ the 95 per cent who

eventually leave the prisons, most of them will probably return there.

Fourth, a business organization should never dismiss a man with a record merely because this information was late in coming. The man probably acted in self-defense and from bitter experience of being refused work when his record was known. In certain cases, the man might be transferred to another job if his release was recent and the present job offers temptation.

Fifth, the employer in search of qualified workers should not overlook the well-trained apprentices now coming from certain modern training institutions. As this kind of training increases, employers can draw from a relatively safe labor pool for skilled workers and also have a chance to rehabilitate some fine young men.

—DOUGLAS J. WILSON. *Canadian Business*, April, 1952, p. 37:4.

## BUILDING EDITORIAL BALANCE INTO COMPANY PUBLICATIONS

A VERY PERSONAL KIND of balance is evidenced in athletics, dancing, and acrobatics. This balance can be seen in the gyrations of a bareback rider as he maintains a precarious footing on the back of a horse that jogs bumpily around a circus ring and also in the grace and dexterity of the tightrope walker as she whisks back and forth between two points in the process of getting nowhere at all.

A parallel can be drawn between this type of balance and a very necessary kind of editorial balance. Picture if you will, the tightrope balancing act which most editors must practice as they shuttle the burden of editorial policy between management and readers, both of whom must be pleased if the editor's own balance is to be maintained. Or conjure up the vision of other editors as they ride the

dull and plodding horse of management and reader apathy around the circle from one publication date to another, while they leap, bound, and pirouette in an effort to make the whole performance attractive and interesting.

How can the editor of the company publication succeed in achieving this delicate balance?

Editorial Balance begins with the major purpose of a publication, which is to educate, inform, and entertain its readers. Education and information are necessary in order to justify the investment in the publication by management, while entertainment is necessary in order to attract and hold the readers' attention. Education may be defined as something that readers "ought to know," information as what they "want to know," and enter-

tainment as the attraction power which holds the readers' attention long enough for the ought-to-know and the want-to-know to be absorbed.

These three objectives are attained and kept in balance by one major factor—the editorial formula. Expressed simply, the editorial formula is the pattern which determines what is written or pictured in the publication. To simplify further, it determines the "balance in content" of the publication, and it in turn is composed of several sub-balances.

The first of these is policy balance. Though the editorial policy of any one publication will, of course, differ in some respects from the policy of any other publication, there are certain major objectives of editorial policy which should be common to all publications. These may be grouped under a "Seven-Point Plan" for both internal and external company publications respectively.

The seven editorial objectives for a well-balanced employee publication policy are these:

1. To humanize the company and its management to the employees.
2. To integrate the common interests of management and the employees.
3. To integrate the staff and operating departments of the company.
4. To extend individual and group recognition to employees and their accomplishments.
5. To educate and inform employees on the product or service of the company and the industry of which the company is a part.
6. To bridge the gap between the home and the job.
7. To explain and interpret the economic and political facts of life.

The seven editorial objectives for a well-balanced editorial policy in a customer publication are these:

1. To build and maintain confidence in the product or service by supplying all the facts about it and explaining why these facts exist.

2. To build and maintain confidence in the company behind the product.
3. To explain and interpret company policies and programs which affect the distribution of the product.
4. To suggest selling ideas and practices with the emphasis on why they are suggested.
5. To stimulate and encourage an aggressive spirit among dealers and representatives.
6. To report news of the field to men in the field.
7. To discuss and interpret trends and conditions which may affect the company's business.

In addition to policy balance, there is another type of balance called "reader characteristics" which should be taken into consideration before the publication reaches the printing stage. Reader characteristics balance is the seeking and maintaining of harmony in terms of the desires of your specific reading audience. Thus in an employee publication you should determine the personal characteristics of your audience and aim your appeals in direct proportion to this makeup, observing such factors as the balance between male and female readers, office and production readers, the educational and age levels of readers, racial extraction of readers, and length of service of employees.

Assuming that these two elements of policy and reader characteristics are in balance, you should then give direct attention to the actual content balances of the publication.

The first of these is news and feature balance. "News" consists primarily of information; "features" is a combination of both education and information. To cite extremes, in a weekly tabloid publication the majority of your content should be "news"; otherwise, there is no point in having the weekly deadline. On the other hand, if you are producing a quarterly or bimonthly magazine, then of necessity, your content will be almost entirely of a feature nature as it is unlikely that

you would have much news to offer. The median between these extremes is the monthly magazine, which can be a balanced combination of news and features.

Another type of content balance is that between company interest and human interest. Company interest is defined as the type of material that has a direct company tie-in, and human interest is that which more directly concerns the actual reading audience—whether they be employees, customers, or stockholders. If company interest far outweighs human interest, then resentment rather than cooperation is likely to be aroused in the reader's mind. Conversely, if human interest outweighs company interest to any great extent, the effectiveness of the publication to the company suffers.

The fourth type of balance which should be maintained is that between humorous and serious content. Humor can be used to provide a light touch to serious subject matter, to lighten and brighten headlines, or to provide a vehicle for cartoons and comic strips. However, humor can be a double-edged sword and if misused or overused, can defeat the serious purpose of the publication.

Getting away from the philosophic viewpoint, another type of content balance is that between text and illustrations. The controversy which takes place between the respective values of pictures and text is crystallized in the alleged

—From an address by ROBERT D. BRETH before the Midwestern Industrial Editors Institute.

Chinese proverb: "A picture is worth a thousand words." However, the proverb itself exists and is remembered only because it was put into words or text which could be translated into many languages. Also, words or text can be memorized and repeated by one person to another, whereas a picture can be described only sketchily and never with complete accuracy.

The only way to think about picture-text balance is to remember that each serves a purpose, text being better to tell one kind of story and pictures another. As a general statement, the picture-text balance in any company publication can be as low as 30 per cent-70 per cent and as high as 70 per cent-30 per cent. Caution points are these: If the percentage of text is high, then the attraction value of the publication may lower. Conversely, if the percentage of pictures is high, the remembrance value of the contents may lower.

The final type of balance is that between story length and brevity. To cite extremes, a publication that contains a few articles of considerable length is likely to repel readers. On the other hand, a publication that consists of a conglomeration of short articles is equally repelling, as there is no way the reader can focus his attention on particulars. Hence, a balanced mixture of long and short articles usually sets best with the average reader.

### **Social Note from the Labor Press**

**TO ALL U.A.W. LOCAL UNIONS IN THE DETROIT AREA**

**ATTENTION: PRESIDENT**

**DEAR SIR AND BROTHER:**

This is to inform you and your leadership that on March 8, 1952, Local 7 will celebrate its 15th anniversary of the "sit-down" strike.

This will be a gala affair with a huge floor show and dancing, starting at 9 P.M.

—From *Spotlight* (U.A.W. newspaper, Kaiser-Frazer Corporation, Willow Run, Mich.)

## RETIREMENT POLICIES: DO COMPANIES PRACTICE WHAT THE EXPERTS PREACH?

**E**XECUTIVE opinion and company practice differ in several marked respects from the frequently expressed statements of outside observers as to what retirement practice should be, a recent survey made by the Industrial Relations Section at Princeton University has revealed. Findings of the survey are based on information received from 14 companies ranging in size from 3,000 to 14,000 employees and representing six major industries.

Most writers on problems of the aged are strongly against compulsory retirement. However, companies which have maintained compulsory retirement procedures over a substantial period of time believe that such a policy is essential if a pension plan is to contribute to the well-being of the organization as well as to that of the superannuated worker. Selective retirement, widely supported by outside authorities, is rarely practiced even by companies which agree with the principle.

Actual company practice depends more upon the customary interpretation and administration of clauses in a pension plan than upon the specific, legal wording of the plan. Companies with almost identically worded clauses, establishing automatic retirement at normal retirement age and permitting exceptions only "with the consent and approval of management," were found, on one hand, to enforce retirement strictly at the normal retirement age and, on the other, to permit all past-65 employees to continue to work without any special check on their health or efficiency.

As yet, companies have no conclusive experience to report with respect to the effects of compulsory or optional retirement on total efficiency of operations. Reported experience suggests that the following factors have had some influence in

the determination of policy with respect to compulsory or optional retirement: the company's past experience; average age of employees; pension costs; general economic and employment conditions; union and employee attitudes; federal old-age insurance; changing social attitudes.

No commonly accepted standards for retirement procedures are apparent in the companies studied. On the contrary, practice often varies from plant to plant in a single company. With the exception of the routine check as to choice of dependency option five years prior to the normal retirement date and the routine interview for closing of accounts and notifying the employee of his pension and insurance expectancies, none of the companies studied had established company-wide procedures for pre- or post-retirement counseling and rarely had they developed and issued standards for the guidance of plant managers and supervisors who deal directly with the retiring workers.

However, managements are becoming increasingly aware of the human aspect of retirement, the study revealed. The most hopeful aspects of the findings obtained lie in the extensive management interest in the development of retirement procedures which reflect both company and community needs, the recognition of the need for more attention to early retirements due to disability, and a willingness to experiment with retirement counseling.

Considering the gap between the frequent statements of what society expects of companies and actual company practice, the best immediate attack by industry, both from its own and the general-welfare point of view, may be twofold: (1) to give the company's superannuated

workers as much prestige, satisfaction, and income as possible within the limits of corporate financial capacity; and (2) to begin to analyze company experience in order to be intelligently informed on the possible effect of changes in employment and retirement policies on the efficiency of organization and operations.

Also valuable in this connection would be improved personnel records to provide essential data for a comparison of the productivity and efficiency of workers in dif-

ferent age groups; more careful study of the effects of a flexible retirement policy on organization efficiency, on pension costs, on the proportion of past-65 employees in the work force, and on employee and union attitudes; and increased cooperation with outside research groups to identify factors that affect the size and quality of the past-65 employed group and to develop practical standards for more selective retirement and more effective counseling.

—*Retirement Procedures Under Compulsory and Flexible Retirement Policies* (Industrial Relations Section, Princeton University, Princeton, N. J.), 1952.

### **Why Night-Shift Efficiency Is Lower**

Six reasons why efficiency of night-shift workers is lower, as a rule, than that of employees doing similar jobs by day emerged as a by-product of a recent company study of clerical costs. Analysis fixed the blame on the following causes:

- A higher proportion of temporary employees.
- Shorter hours.
- High labor turnover.
- Employment of individuals who have other jobs in the daytime and hence are tired when they come to work.
- Absence of authoritative supervision.
- Lack of an adequate volume of work.

Once such unfavorable factors as these are brought to light, correction can follow. Controls can be instituted and other changes made. The results stand out in the following six-week record of efficiency in the company mentioned:

	Prior to Control	1st Week	3rd Week	5th Week	6th Week
Day .....	77.2	81.4	84.6	85.9	87.2
Night .....	61.1	69.2	73.3	67.3	74.9

—*Management & People Newsletter* (Fisher, Rudge & Neblett) 4/25/52

### **Information on Information Racks**

IF YOU'RE THINKING about setting up an information-rack program, here are some pertinent facts gleaned from a study recently made by the Conference Board:

**Costs:** Top figure runs about \$2.50 per employee per year. Lowest figure noted doesn't include salaries or administrative costs.

**"Take" Records:** Between 50 and 65 per cent of the total "take" for the average booklet occurs on the first day, and from 60 to 85 per cent on the first three days.

**Housekeeping:** Companies report no trouble. Workers don't seem inclined to throw booklets away, so there's no litter in the plant.

**Reading on Company Time:** Lots of people worry about this one, but plants that have information racks say you can forget about it.

—*Factory Management and Maintenance* 5/52

## RECOGNIZING PROBLEM DRINKERS IN BUSINESS AND INDUSTRY

**M**ORE AND MORE FIRMS are recognizing the fact that there are problem drinkers among their employees and are supporting programs of prevention and rehabilitation. Important strides in this direction have been made by such large concerns as Allis-Chalmers, Consolidated Edison, duPont, and Eastman Kodak. Moreover, many labor unions are recognizing the problems of alcoholism and are supporting the idea of educational and treatment programs.

However, there is still a tendency on the part of many business and industrial leaders to overlook the fact that alcoholism is a progressive disorder and that most alcoholics have gone through many years of difficulty before complete loss of control over their drinking leads to detection and dismissal.

The problem drinker is often known to his friends, his fellow-workers, his shop steward, and his foreman long before he comes to the attention of disciplinary authorities. Because he so often is a likable and efficient worker when sober, and because of the fear of severe discipline or dismissal, the problem drinker is usually hidden and protected by his friends and foreman. His absenteeism is ascribed to other causes, and his mistakes are covered up. Because of this protection accorded to the alcoholic, it is almost impossible to make a direct count of the problem drinkers in an industry. Even where medical or personnel departments stand ready to provide treatment or guidance to the problem drinker, fear of discipline keeps him away.

There have been various attempts to recognize the problem drinker in particular industries. One midwestern plant, for example, systematically examined the

absenteeism records of all employees. Those whose records showed repeated periodic absences of several days' duration, without clear-cut reasons, or a pattern of absences after week ends, holidays, or following paydays were labeled as suspect problem drinkers. They constituted approximately 9 per cent of the plant's employees. These cases were then subjected to further investigation. Paycheck indorsements were examined to see if the checks had been cashed in taverns or bars. Foremen, who ordinarily would not be inclined to report heavy drinkers, were questioned directly and specifically about these men. Finally, visits were made by the plant nurse to the homes, and wives and other relatives were questioned. Significantly, four-fifths of the men originally suspected, or about 7 per cent of the plant's employees, proved to be problem drinkers. After the men were identified, attempts were made to introduce them to Alcoholics Anonymous or to provide medical referral.

Another approach to the problem has been made by the Allis-Chalmers plant in Milwaukee. Seventy-one men who were identified as problem drinkers and who agreed to accept treatment were turned over to an alcoholism counselor early in 1949. As a result of this program there was a drop of 63 per cent in absenteeism and a 40 per cent decrease in wages lost. Though not enough time had elapsed for a proper evaluation, it was reported that 39 of the men had curtailed their drinking to such an extent that it did not interfere with their jobs or normal living. Twelve others were active members of Alcoholics Anonymous. After two years of operation, the counseling program was helping over 200 men.

Many of the new recruits had voluntarily sought treatment after the company's enlightened policy became known.

In Rochester, New York, the Eastman Kodak Company has participated actively in the development of a community program for education on alcoholism aimed at making available to industry and to the community all effective knowledge and techniques which have been developed for the care of the alcoholic. The company prefers such a cooperative plan to handling drinkers entirely within its own medical department. One reason is

that such community efforts often reveal previous unrecognized cases.

On the basis of the few programs now in operation there can be little doubt that an investment by management in educational and treatment services designed to reduce the incidence of problem drinking among employees will in the long-run pay off. Such programs should reduce accident rates, absenteeism, and turnover and result in increased efficiency. It must be recognized, of course, that recovery from problem drinking is not accomplished overnight; it is usually a long-drawn-out process.

—ROBERT STRAUS. *The Journal of Business of the University of Chicago*, April, 1952, p. 95:6.

### **Sightless Employees Pull Their Weight**

THIRTY-SEVEN BLIND OR NEAR-BLIND PEOPLE are employed at the Timken Roller Bearing Co., Canton, Ohio, in such occupations as bearing salvage, electronic gauging, file testing for hardness, sound testing, roll gauging, bench work, and plating. Most of these jobs involve some form of precise inspection. Despite their handicaps, these employees need very few special devices to supplement standard tools. Those aids which are provided usually are in the nature of an audible signal or other device which replaces visual indicators.

Blind employees at Timken are not segregated, nor do they receive any special attention. They work side by side with sighted employees. The only requirement management makes is that, for safety reasons, every blind employee wear a red cap so that he can be spotted in traffic throughout the plant. Other employees are instructed not to offer assistance unless asked, or unless some unrecognized danger threatens.

One effect of this program has been an over-all improvement in morale in those departments where the blind are employed. This is particularly noticeable in the other employees as they see physically less fortunate people equal or surpass their production. Complaints become fewer, and everybody seems happier.

With patience, most industries could find work in their plants for most of the blind within their geographic areas. Help in such a program can be obtained from the state rehabilitation service for the blind, which will, at any time, send a representative to consult with prospective employers. This person is trained to determine the adaptability of work in a specific plant for blind employees, and he will also help select the proper applicants for available jobs.

—*American Machinist*, Vol. 96, No. 3

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**BADGE OF WEAKNESS:** At Brett Co., Philadelphia, workers who have been on sick leave and returned to work under doctor's orders to "take it easy" wear colored badges. Black and yellow badges caution foremen not to give men assignments which might tax their energy.

—*Brevities in Labor News* (The Employers' Association of Chicago) 1/1/52

## THE "BUZZ" TECHNIQUE FOR MEETINGS

**E**VERYONE WILL AGREE that it is much easier to get full participation in a small group than it is in a large one. Yet there are certain difficulties in scheduling a series of small meetings; consequently, it is not only necessary but desirable at times to schedule a large meeting so that certain announcements or presentations can be made at one time.

Thus we face the problem: "How can we get fullest participation in a large group?" Here is where the "buzz" technique comes into the picture, and the following suggestions are made in this connection:

1. A large audience should be broken up into small groups, preferably not to exceed 8 or 10.

2. The makeup of each group should be planned in advance. Also, if at all possible, each group should sit around a table.

3. The conference leader presents to

—MILT OLANDER. *Personnel Newsnotes* (Owens-Illinois Glass Co., Toledo, Ohio), February, 1952, p. 1:1.

the entire group the question or problem to be discussed.

4. Then the "buzz" action begins at each table and continues for a certain number of minutes directed by the table chairman.

5. At the conclusion of the "buzz" session, the chairman of each group summarizes the conclusions reached at his table and reports them to the entire audience.

6. After each group chairman has summarized the reactions of the people at his table, the conference leader summarizes the consensus of the reporting chairmen.

Since communication is a matter of listening as well as telling, communication is a two-way street. A free interchange of views in a "permissive" atmosphere can be a stimulating and constructive experience.

### Vacation Practices: A Recent Survey

OF 200 FIRMS on the Eastern seaboard whose responses were tabulated in a recent survey of company vacation practices, 78 per cent of those reporting on their white-collar workers allot a two-week vacation to office workers after the first year, while only 32 per cent grant two weeks to production workers for a similar work period. These were among the major findings of this survey, which covered firms ranging in size from 25 employees to close to 30,000.

Identical vacation provisions for both office and production workers were reported by 24 per cent of the companies. Two manufacturers (one of them aircraft) offer more days off to production personnel after the first few months of work, but allow the white-collar group to surpass them after the second year.

Ninety-six per cent of the concerns said that office workers receive normal salary during vacations; about 2 per cent give average straight time; the rest pay workers on an hourly rate.

For production workers, two-thirds of the companies pay straight time hourly rate, while roughly 27 per cent give average straight time; most of the remainder give a percentage of average straight time earnings.

Employees get paid before the vacation period by the vast majority of companies. Of the remainder, 6 per cent pay all workers afterward; 4 per cent pay

office workers afterward; 1 per cent pay production men afterward; 2 per cent give everyone an option.

Yearly vacations are mandatory in 81 per cent of the companies. Of the remaining 19 per cent, about half grant the option of receiving full vacation pay besides a regular wage; one-third of these companies require vacations of either salaried force or production force, not both.

Accumulating vacation-time over a period of years is forbidden by the overwhelming majority. Three per cent allow this practice unqualifiedly; 4 per cent do so under various conditions.

An employee who quits or is laid off is given accumulated vacation pay by more than two-thirds of the concerns surveyed. Splitting of vacation time is permitted by nearly half of the establishments.

—*Personnel Executives' Newsletter* (Deutsch & Shea, Inc., New York, N. Y.) 4/17/52

### **Only the Handicapped Need Apply**

MANPOWER SHORTAGES have recently caused many companies to employ crippled or handicapped workers, but it's a rare thing to find a business that is carried on exclusively by physically disabled persons. Such is the case at the Fibrous Glass Insulation Co., Wilkes-Barre, Pennsylvania. This pint-sized plant just completed an Air Force contract for 30,000 parachute packs without a single rejection—and they were all made by "handicapped" men. In fact, physically impaired workers are the rule here, for the company will hire no others.

The labor force of 40 is made up of amputees, paraplegics, and other handicapped workers no other firm in the area would hire. But it is from these "rejects" that the company gets its productive strength, for each worker exceeds normal productivity by reason of the great efforts he has made to rise above his incapacity. The men feel that they have to succeed, to prove to themselves and to others that they are as capable as "normal" employees. Their production record thus far is a splendid one, absenteeism is unknown, and workmanship is excellent.

—*Mill & Factory* 3/52

### **Alcohol and Work Behavior**

IN A STUDY of the occupational performances of 30 alcoholics, the *Quarterly Journal of Studies on Alcohol* found three common traits:

1. The alcoholic often had a capacity to visualize vocational goals but at the same time was incapable of sustained effort.
2. He showed a preference for work that called for creative energy, independence, and contact with the public and that involved excitement and movement.
3. He changed jobs frequently because of restlessness and drinking.

—*Canadian Business* 5/52

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BREAKFAST SUPPLIES THAT MORNING ZIP: You can turn out more work, react more quickly, and show more muscular steadiness if you eat a breakfast comprising about one-fourth of your daily food needs, according to Drs. Kate Daum and W. W. Tuttle of the University of Iowa, who base their findings on studies of young college men and women. When breakfast was skipped, mental acuity fell off. When too big a breakfast was eaten, work output fell off.

—*Science Digest* 6/52

## Also Recommended • • •

**HOW READABLE ARE EMPLOYEE HANDBOOKS?** By Cosimo Carlucci and William J. E. Crissy. *Personnel Psychology* (Personnel Research Institute, 314 Superior Avenue, Western Reserve University, Cleveland 14, Ohio), Vol. 4, No. 4. The procedures and results of a study undertaken to measure the readability of employee handbooks in terms of reading ease, human interest, attractiveness of layout, content, and typography are described. Results showed that many handbooks were incomprehensible to the lowest levels of employees, that there was room for typographical improvement, and that the handbooks, in general, covered too few of the topics important to employees.

**FIRST AID GUIDE FOR THE SMALL PLANT—THE DETROIT PLAN MANUAL.** Industrial Medicine and Surgery (605 North Michigan Avenue, Chicago 11, Ill.), May, 1952. A useful reference to first-aid procedures in a small workplace, prepared by the Detroit Industrial First Aid Advisory Committee. Included are recommendations regarding various types of first-aid kits and specific directions for first-aid treatment of shock, wounds of various kinds, artificial respiration, fractures, transportation of the injured, skin trouble, burns, heart attack, and miscellaneous medical conditions. Also included are procedures in case of civil disaster.

**TRENDS IN THE EMPLOYMENT OF COLLEGE AND UNIVERSITY GRADUATES IN BUSINESS AND INDUSTRY 1952.** By Frank S. Endicott. *Journal of College Placement* (2721 Fidelity-Phila. Trust Building, 123 South Broad Street, Philadelphia 9, Penna.), May, 1952. A report of the sixth annual survey of policy and practice in the employment of inexperienced college and university graduates, covering 142 business and industrial concerns. Among the findings: The general salary trend for graduates during their first five years on the job is upward at a rate of increase of approximately 14 per cent a year.

**WHAT CAN INDUSTRIAL PSYCHOLOGY DO FOR SMALL BUSINESS (A SYMPOSIUM).** *Personnel Psychology* (Mount Royal and Guilford Avenues, Baltimore 2, Md.), Spring, 1952. A small company must work just as hard at good management as a large company; if it does not use every available management tool with skill and consistency, it may not survive. Six papers covering job analysis, employee selection, morale surveys, employee training, applied experimental psychology, and cooperative research provide much information and reference material of value to the small-business operator.

**EMPLOYEE RECREATION: A POTENT CONTRIBUTION TO PLANT MORALE.** By John B. Clark. *Industrial Sports* (202 South State Street, Chicago 4, Ill.), April 15, 1952. Planned industrial recreation contributes significantly to plant morale and is reflected in more and better production, according to this author. But he emphasizes that to be successful, a company program must have the unqualified approval of top management and must offer activities of interest to all ages and types of personnel and their families. Mr. Clark describes how his company's Personnel Activities Department offers "service items" to attract employees who would not be likely to join a purely recreational program.

**SAVE-AND-SHARE PLAN DESIGNED TO BUILD EMPLOYEE EFFICIENCY.** By Harry E. Martin. *Chain Store Age* (185 Madison Avenue, New York 16), March, 1952. A description of an employee savings and profit-sharing plan which enables employees to build up not only security for later years but tangible estates for their families. The plan provides for two funds: a savings fund by and for employees and a second fund created by the company's contribution from net profits before taxes. Each employee's share in the profit-sharing fund is in proportion to his own yearly savings (up to 5 per cent of his personal earnings). Employee response has been enthusiastic, and more than 95 per cent have signed up.

**TV: NEWEST WAY TO GET YOUR STORY INTO THE HOME.** By M. J. Murphy. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), May, 1952. A company-sponsored TV program can be used both to bring industry's story into the home and to train supervisors within the plant. This article tells how such a program can be run and discusses the various problems involved in its operation. Since TV stations make it a practice to offer certain sustaining programs as a public service, you may find that it won't cost you anything for the television time, the author points out.

**GIVE EMPLOYEES AID IN MAKING WILLS.** By J. Rae Perigoe. *Plant Administration* (481 University Avenue, Toronto, Canada), May, 1952. Because failure to make a will often results in legal red tape, delay, and consequent hardship for the deceased's family, personnel men in many industries are campaigning for "a will for every employee." This article describes the devices used by various firms to encourage this step. One firm has gone so far as to share with its employees the cost involved in having a lawyer draw up a will.

## Office Management

### STENOGRAPHIC TESTING PROGRAM PAYS OFF

ROBERT SASSAMAN\*

AT THE Dixie Cup Company we give each clerical applicant who passes the interview screening an opportunity to take a battery of tests for future placement. Routine clerical workers are given the Wonderlic (Form A or B), Minnesota Clerical, and Kuder Preference (Form B 1) tests. Stenographers take the Wonderlic (Form A or B), Kuder Preference (Form B 1), and Seashore-Bennett Stenographic Proficiency Test.

Here is what we found by validating test results against job success of those people who said they liked shorthand and typing and had studied these subjects at least two years in high school.

Score on Wonderlic	% of Stenographers Rated Good or Better in Performance on the Job
25-42	100%
21-24	75%
12-20	7%

N=56

We found that if a stenographer scores 25 or better on the Wonderlic Personnel Test and likes to take shorthand, she receives a rating of good or better by her supervisor at the end of three months on the job. When the score is between 21 and 24 on Wonderlic, 7 out of 10 receive a rating of good or better by the supervisor. Of those scoring between 12 and 20 on Wonderlic, less than 1 out of 10 receives a rating of good or better.

In order to assist us in our selection of stenographers, we use the Seashore-

Bennett Stenographic Proficiency Test. (We tested new applicants before employment and those already on the job.)

Here is what we found when we correlated Wonderlic Personnel Test scores with passable letters or better on the Seashore-Bennett Test.

Score on Wonderlic	% of Stenographers Who Rated on Passable Letter or Better on Seashore-Bennett
25-42	88%
21-24	70%
12-20	25%

N=50

It costs us about \$100 to train a stenographer in our procedures and methods. By interview alone, the best we could get was 4 out of 10 successful stenographers. Using tests plus interview, we were able to get 15 out of 15 successful stenographers from January through May of 1952. Since we selected 15 out of 15 successful stenographers, the cost to train each one was \$100 and the total cost of training was therefore \$1,500. In order to get 15 successful stenographers by interview alone, we would have to hire 38 at \$100 each at a total cost of \$3,800. By interview alone it would thus cost us \$253 to train each successful stenographer.

Therefore, by using both interview and tests we reduced the average cost of training each successful stenographer from \$253 to \$100, or a total for the group of approximately \$2,300 during the first five months of this year.

\* Training Director, Dixie Cup Company, Easton, Penna.

Our philosophy is to place every new employee on a job he or she likes to do and can do. We know that by doing this we have improved employee morale and reduced absenteeism.

In addition, by using this test battery

for the selection of stenographers, we have more than saved the salary which we pay the personnel testing clerk. We are getting better-qualified employees, which means improved efficiency and lower costs.

### **Civic-Minded Workers Form "Sound Government Committee"**

AT JOHNSON AND JOHNSON, a Sound Government Committee has been formed for the purpose of encouraging white-collar workers to take an intelligent interest in the conduct of our government by keeping informed of the facts and taking political action at the grass roots level.

The Committee was born last year when nine white-collar employees of the company met to discuss a common problem—high taxes. About all that was agreed on in that first meeting was that no one in the group was really informed. Undismayed by this discouraging start, these people decided to gather all the facts and to learn how an individual can make his voice heard.

Today, not nine, but 1,200 employees of Johnson and Johnson and its affiliates throughout the country are members of this committee, which has pledged itself to a program of political self-education that will lead to constructive action. Armed with what they have learned in their monthly panel discussions, members have directly or indirectly influenced congressmen and senators from eight states, and three employees have gone into local politics in New Jersey, Texas, and Massachusetts.

The committee is strictly nonpartisan, the members believing they can succeed only if they recognize that their group represents many shades of political belief. Membership is voluntary and includes executives, supervisors, and technical employees from assistant foremen to those just below board-of-director level. Johnson and Johnson gives company time for the committee's meetings and administrative help on its weekly newsletter, *Two Minutes, Please!* and on reprint material. Gen. Robert W. Johnson, chairman of the board, views the committee as a practical demonstration of his theory that a united effort of white-collar workers can keep American government sound.

As the committee expanded, people wanted to know what the group stood for. The members evolved this tentative platform, subject to change if the majority so desires: fair and just taxation, a sound dollar, integrity in government, support of fundamental constitutional rights, a two-party political system, and a respected foreign policy. They believe such a platform, if shared with similar groups in other companies, could be a vital factor in the elections.

—*Look* 7/29/52

### **AMA OFFICE MANAGEMENT CONFERENCE**

*The Office Management Conference of the American Management Association will be held on Thursday and Friday, October 16-17, at the Hotel New Yorker, New York City.*

## WHAT CAN BE DONE TO IMPROVE OFFICE OPERATIONS

**T**HREE ARE NO secrets to efficient office operations. Given a few good books, some common sense, and dollars to spend, the average person could develop some procedures. However, the work would not be entirely satisfactory, first, because of the lack of training and experience and, second, because management and employee support could be missing. Experience and training are familiar words, so let us explore support.

Why this lack of support, which could also be termed lack of interest? Is it because the majority of the top executives came up through the shop or sales department and therefore never became familiar with office routines? Or is it because they don't realize that the ratio of office workers to all workers increased from 33 per cent to 37 per cent during the years 1940-1950? Or is it because the attitude of the office workers, both supervisory and clerical, is unsatisfactory? There seems to be less imagination in the office than in most segments of industry. Also, office workers—again including supervision—have more often than not resented any prying into their operations. Not only have they done nothing themselves but they have tried to impress others with the inability of anyone other than an office worker to understand how they accomplish things. For these reasons the executive seeking to improve office operations must delve into the so-called "secrets" of operation in the office himself and thereby learn that there are no secrets, that the methods used in the factory can be used just as successfully in the office.

Having decided to streamline procedures, where should the executive begin? What sources of new ideas can be used for improving operations?

The first source is the most important. This is the person on the job. It is true

that employees are reluctant to volunteer their ideas, but this reluctance can be overcome in several ways. Perhaps the easiest is to have someone sit down with an employee and thoroughly study his job. This method will result in a twofold gain, for not only will the person doing the studying discover the employee's ideas, but the employee will probably, in the course of his examination, come up with ideas of his own on how to improve a specific operation. Once ideas are received from an employee, it is of the utmost importance that the ideas be followed up and that the employee be apprised of the true worth of his idea.

Need for changes can also be determined by following closely any trouble that develops. Today, when a breakdown in operations occurs in our organization we do not just manhandle it into shape and leave it at that, but instead funnel the necessary information to the Planning Department, which is responsible for examining the problem thoroughly and coming up with a good and permanent answer. We have had many headaches as a result of this method of operation, for all too frequently correcting an error in Department "A" necessitates changes in procedures in Departments "B," "C," "D," etc. But we provide sufficient personnel to permit us to follow through regardless of how complicated the problem may turn out to be.

Another means of determining those areas that must be looked into is an analysis of quality reports. Our organization includes a group of quality examiners who are considered an arm of the Planning Department, and as such report to the Planning Department head. This department checks the quality of the end product, but its prime purpose is to report on the qual-

ity of the work of individuals, and on the basis of these reports establish priority of projects to be examined in Planning. We are thus using quality examinations for a twofold purpose—one, to point up areas needing review, and secondly, as a tool for the supervisors in controlling the error factors.

Another factor of control, though its main purpose is economy of operations, is Machine Utilization reports. These reports not only permit us to determine when and where to release or take on new machines but in the light of present-day delivery schedules give us a guide as to what procedural design can be made to fit available equipment and also what

equipment is not utilized full time.

A particularly effective way of finding areas to improve is through a general review. For this I make available a portion of my time in which I go through the departments asking questions, and subsequently sitting down and reviewing whatever I have learned. In the first place, obvious problems become apparent which would not be recognized if one were to hide oneself within one's own office; and secondly, there are always those areas which, for some unknown reason, look inefficient. It is within these areas that some of our largest improvements are made.

—From an address by E. G. NIEHAUS (Planning Manager, *Time*, Inc.) before the Industrial Management Society, Chicago, Ill.

### **How to Make Your Secretary's Job More Palatable**

AFTER RECEIVING complaints from customers about the taste of the adhesive on return envelopes, a large industrial firm recently ordered envelopes with a flavored seal.

The United States Envelope Company, Springfield, Massachusetts, reports that it has manufactured, on request, envelopes with flavored seals but that it does not carry any stock items with this feature. Here are some of the available flavors: chocolate, clove, honey, lemon, raspberry, spearmint. The company can also provide a related color—green for mint, gold for honey, etc.

The company indicates that flavors were used many years ago to offset the taste of the animal and fish glues used at that time. But, at least during the past 30 years, other ingredients have been introduced. The firm has been using tapioca and corn dextrines, which are "food" products, with a trace of corn syrup or saccharine for sweetening. Experience has shown that most people like the natural taste of these ingredients and that few people have the same preferences for special flavors.

—L.O.M.A. Bulletin (Life Office Management Association, New York)

### **Fifteen Men Dictate to Two Girls**

"REMOTE" MICROPHONES stationed at the desks of 15 executives of the International Resistance Corp., Philadelphia, are permitting dictation work to be handled by only two stenographers.

Three of the executives, with the most urgent dictating demands, have switching devices built into their microphones so that they can make a choice of either of the two recorders. The other 12 men squeeze their correspondence in when recorders are free.

A company official reports that dictating efficiency has been tripled since installation of the system. Letters dictated at 2 P.M. are usually returned by 4:30.

—Modern Industry 5/15/52

## RIPE FOR REVOLUTION

THOUGH OUTPUT per production worker has increased at an average rate of  $2\frac{1}{2}$  per cent per year in industry, productivity of certain classes of clerical workers has declined by some 25 per cent since 1938, a recent survey shows. This decline in productivity, the growing shortage of good clerical personnel, and higher labor costs make additional mechanization economically more and more attractive.

The trend toward mechanization has already begun. Sales and rentals of business machines, for instance, are now five times greater than in any pre-war year. Moreover, many of the old hand-operated machines are being replaced by electrically operated models of increased speed and efficiency. This applies not only to adding and calculating machines but to all types of clerical processing machines, including billing and typing.

This trend foreshadows a revolution in office methods. This revolution will be brought about by the use of robots—so called “electronic brains” capable of incredible speeds. Some of these machines are able to multiply in  $1/1000$  of a second, and to add at a speed that can only be measured in microseconds. Such speeds are possible because these devices employ no moving parts, but rely solely on electrical impulses and thousands of electronic tubes.

Although many of the problems involved in adapting these machines to office routines are not completely solved, *Fortune* predicts that it won’t be long before U. S. business men can employ electronic brains to: keep business accounts, run continuous sales records, compute and send out bills, handle entire payrolls, keep running inventories, fix production schedules, serve as vast filing systems, and chart corporate expansion.

Various special-purpose electronic computers are already in operation. Bell Telephone Laboratories, for example, has developed a device which runs a tape on all long-distance calls, coded to give the length of the call and other pertinent data. This tape is then fed to an electronic computer which translates the data into local and toll charges, computes the tax, picks out the customer’s bill and enters the charge. Dial phones eliminated the local operator; this system not only eliminates the long-distance operator but takes over the timing, calculating, and billing as well.

Other firms are working on all-purpose devices which will perform card punching, paper recording and filing operations automatically. Remington Rand seems to be approaching this with UNIVAC, the first general purpose electronic calculator to handle alphabetical as well as digital calculations without prior coding. Computer Research Corporation has developed a similar large-scale, high-speed, automatic electronic business computer capable of accepting and printing alphabetical and numerical information in combination. International Business Machines has a mark-sensing unit which electronically translates pencil-marked meter readings into punched cards for automatic public utility billing and other uses. The Intelligent Machines Research Corporation has a device capable of reading typed or printed material and automatically operating a typewriter or card punch machine. Potter Instrument Company has developed “The Flying Typewriter” which handles 24,000 characters a minute.

Most of these electronic systems have at least one checking device, while some double check. They are virtually 100 per cent accurate. They have been lik-

ened to a super-automatic clerk or battery of clerks who cannot make a mistake. However, these machines have no imagination. Instructions must be complete, precise, and accurate.

There are many reasons for hastening the adoption of these electronic devices.

—*Best's Fire and Casualty News*, June, 1952, p. 15:4.

In addition to relieving the clerical-worker shortage and helping to reduce operating expenses, they should, because of the rapid rate at which they produce figures, eliminate a large part of the serious lag in developing data necessary for executive decisions.

## Also Recommended • • •

**HOW TO SAVE THE BOSS AN HOUR A DAY.** *Management Methods* (141 East 44 Street, New York 17, N. Y.), June, 1952. The use of automatic typing equipment which produces complete, individually-typed letters continuously can cut in half the time spent on dictating and transcribing letters. It is also of value in the typing of detailed specifications, since it is incapable of error and therefore eliminates executive checking. This article discusses the many applications of this equipment and describes how it works.

**HOW TO DESIGN A GOOD WORK FORM.** By John B. Bennet. *Plant Engineering* (53 West Jackson Street, Chicago, Ill.), July, 1952. This article presents 40 suggestions that should be helpful in designing a new work form. Initial preparation, contents, and layout are among the points covered. Consultation with all departments whose work will be affected by the form is one of the initial steps urged by the author.

**THE ADMINISTRATIVE CONTROL OF BLANK FORMS.** By E. Frederic Knauth. (Reprinted from the May, 1952, issue of *The American School Board Journal*, 1400 North Broadway, Milwaukee 1, Wisc.) In companies where many forms are in use, the author points out, it is wise to set up a forms-control program to establish uniformity, prevent duplication, and maintain research in improved methods of form design. This program should be under the control of one person who has the authority to withhold approval of all forms that do not conform to the rules for good design. The article describes a method for evaluating present forms and presents a checklist of reminders for the forms designer.

**HOW TO WRITE PRINTING SPECIFICATIONS.** By Albert Pleydell. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), May, 1952. Advance planning for printing, with emphasis on proper specifications, can reduce printing costs and raise the quality of the completed job. The author discusses the points the office manager should consider in drawing up such specifications and defines some of the most commonly used printing terms, the use of which should eliminate misunderstandings and insure accuracy.

**IS THE OFFICE EQUIPMENT SALESMAN A QUALIFIED CONSULTANT?** *Management Methods* (141 East 44 Street, New York 17, N. Y.), June, 1952. This article presents the views of several office equipment manufacturers on the question of whether their salesmen possess sufficient experience and over-all perspective to qualify them as consultants to those prospects who may be contemplating a systems change. The consensus is: If the problem is a specific one, involving installation of equipment, the sales representative may be relied upon; if, however, the problem seems to call for lengthy analysis and possible remedial action, a professional consultant should be retained.

**HOW PROFICIENT IS YOUR SECRETARY?** By Harold W. Dickhut. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), May, 1952. As a means of establishing secretarial work on a professional basis, the National Secretaries Association is promoting ability standards by designating as Certified Professional Secretaries those who meet its experience requirements and who pass a 12-hour test covering all aspects of the secretary's job. This certification program is described in detail, and the way in which it can be of value to business is outlined.

# Manufacturing Management

## CHANGING ATTITUDES IN QUALITY CONTROL

FRANK H. SQUIRES

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INSPECTORS in the manufacturing industries have traditionally opposed the review of rejected material, believing that the necessity for manufacturing personnel to rework or remake the material would compel general improvement in quality. They have distinguished themselves in the past by the obstinacy with which they stood by engineering tolerances and limits, facing Production with a drawing as though it were the law, demanding the entire pound of flesh. Nothing could be relaxed; not a tolerance could be increased! They have been properly accused of intolerance toward the machine operators, the fabricators, and the assemblers.

These attitudes are changing, and the changes are likely to have far-reaching effects in industry.

### EFFECT OF WORLD WAR II

Most important in changing these attitudes has been the transformation of inspectors into quality control men and their common experience in World War II.

During the war the scarcity of many materials created a system of almost automatic review following rejection. Materials Review Board procedure was established to give it proper form. Meetings of the board to review material which varied from the drawings became standard operating procedure in plants and factories throughout the country. The Materials Review Board procedures were a natural complement to an efficient qual-

ity control system. They contributed to the economic interests of both the producer and the consumer.

The conditions for acceptance were exactly defined and required that the discrepancy should not adversely affect safety, performance, weight, service life, or interchangeability. Inspectors participated in these reviews with varying degrees of enthusiasm. The conviction remained strong among inspectors that the necessity to rework rejected parts was the best way to compel improvement in the quality of the work. However, frequent attendance made them familiar with the practice of material review, and an attitude of reluctant toleration developed. This was important because the inspectors were key men in the deliberations of the Materials Review Board, and their acquiescence accelerated the whole procedure.

### AN IMPORTANT LESSON

When the war was over, the practice of reviewing rejected material continued, although the number of transactions diminished considerably. It was no longer a patriotic duty to consider every possible angle before scrapping valuable and hard-to-replace material; nevertheless, the habit persisted.

Meantime, the records of many material reviews carried an important lesson for inspectors. It appeared that numerous parts which had departed in various features from the drawings and had been

properly accepted in review had not prevented the over-all assembly from performing as specified.

This called for an explanation, to the effect that engineering drawings are frequently dimensioned too closely, making it possible for the engineers to sanction certain deviations submitted to them in review. The conviction that tolerances on engineering drawings are arbitrary and commonly too close was widely held by manufacturing and inspection personnel at the end of the war. It would be difficult to condemn this belief; in fact, it is difficult to see how the conclusion could be avoided in the light of many material-review decisions.

The change of attitude which evolved from those experiences has made inspectors sympathetic to the idea of material review. It has led them to join in the campaign to persuade engineers to rationalize the tolerances on engineering drawings.

#### **FACTORS IN ACHIEVING QUALITY**

This important change of attitude and its sequel have raised the issue as to whether the engineers are the natural guardians of quality. There are engineers who say yes and claim that they can obtain the desired quality only by asking on the drawings for something better than is required. Hence the narrowed tolerances, the supersmooth surfaces, and those high standards which are relaxed in material review.

Quality control men are not persuaded by this argument, believing that any such policy is potentially wasteful of material and time. Furthermore, it does not achieve the desired effect. On the contrary, the quality level suffers when it is known that the tolerances on the drawings are not ultimate limits but stand a high chance of being changed in review.

The change of attitude on the part of

inspectors has also challenged the definition of quality; and, although it is not proposed at this time to offer one more definition, it can be said that while the dimensions and all of the characteristics which have a direct bearing on planned performance also affect quality, the largest single factor affecting quality is the degree of uniformity in the product and its component parts. This is achieved by the activities of Manufacturing and Quality Control.

#### **GROWTH OF STATISTICAL QUALITY CONTROL**

During World War II, the techniques of statistical quality control were widely used and ceased to be the exclusive pursuit of an esoteric group in certain well-known companies and colleges. In actual fact, there was no desire to keep quality control a secret, and it is only fair to say that the high priests of the cult had tried hard to tell the world about the remarkable inspection instrument they had developed. It took the stupendous material demands of World War II and the numerous production problems created thereby to bring statistical quality control procedures into fairly general use.

Professors of mathematics and statistics were hired by industry to instruct classes of inspectors in statistical control techniques. Men from the Bureau of Ordnance, long familiar with statistical techniques, increased their activities. Learned men from the great company which had sponsored the efforts of Shewhart, Dodge, Romig, Edwards, and Ferrel cooperated with the government inspection agencies in the compilation of inspection and quality control manuals founded in statistical techniques. The literature on the subject multiplied; companies began to publish their own experiences in the application of statistical quality control.

Inspectors accustomed to conventional methods absorbed this slowly at first, took

notes, and filed them neatly away. But the increasing flow of production would wait for no man, and statistical techniques began to demonstrate their value, both because of increased accuracy of inspection and because of the considerable time saving.

#### THE INSPECTOR TRANSFORMED

Nowadays there are few inspectors who are not familiar with the subject, and in an increasing number of plants statistical techniques are in constant use.

The effect on inspectors, now turned into quality control men, has been considerable. They no longer take the finished product and sort the good from the bad. Now they use the first measured data from an operation as a basis for setting up control charts. They study frequency distributions and have learned to recognize that there is a tendency to spread in every operation which is independent of the best efforts of the operators.

Having become familiar with the concept of chance as it is used in statistics, they analyze the frequency distribution, and when they find normal distribution they say, "Here there are no variations except those due to chance. The operator can do nothing to improve the operation."

This has given them an added sympathy for the operator. It has taught them that good intentions alone do not devise methods which make good parts, and they

have pushed into the field of machine and process evaluation.

#### QUALITY CONTROL TODAY

The end result is a most significant change of attitude. Quality control men look to the selection of material, the tooling, the method, the machine, and the operator to make good parts. They are more than ever willing to review material which varies from specification, being confident that by close analysis they can find the cause and plan to avoid it in the future.

In fact, the tendency is now for statistical quality control men to recommend review and analysis emphatically, and to object strenuously to a too eager willingness to rush into rework, which may help the present moment but will not secure the future against a repetition. Many quality control men now advocate:

1. Close review of rejected material.
2. Rationalization of drawing tolerances and specifications.
3. Evaluation of machines, methods, and processes from quality control statistical data.

These changes of attitude mark the transition from the apparently negative character of conventional inspection to the positive character of planned statistical quality control, and they mark a highly important step toward a more effective operation throughout the manufacturing industry.

#### Increased Productivity—Who's Responsible?

PRODUCTIVITY IN INDUSTRY is a lot like morale in the Army. Everybody talks about it, but few are sure what it's all about.

It all started in 1950 when General Motors and United Auto Workers amended their contract. The new agreement provided for an annual wage increase based on an assumed annual rise in productivity. After this, a number of other companies, most with UAW contracts, wrote in such provisions.

It now appears that labor has seized on productivity to justify further wage

demands. Over 60 per cent of the firms replying to a survey by Fisher, Rudge & Neblett, management consultants, said the issue had already come up for management policy discussion. Of the companies with union contracts (about 88 per cent), 43 per cent reported their unions had already raised it in contract talks.

Labor has implied that its contribution to increased productivity is all-important. But management thinks otherwise. Forty-six per cent of the firms answering the survey ranked new plant and equipment as the major factor. Second place went to better managerial techniques, with 23 per cent of the votes. Better utilization of existing facilities was third, and fourth place went to research and invention. Increased labor efficiency was at the very bottom.

This does not mean that management is not interested in increasing labor efficiency. But, with wages on the rise, increased labor efficiency cannot do much to boost productivity. Costs must be cut in other areas. Executive payrolls are often swollen, but, it is pointed out, it's important good men be well paid. Clerical efficiency is a relatively unexplored field for cost cutting. Selling and advertising budgets are tempting targets, but experts warn against indiscriminate slashes. Production planning is often noticeable by its absence. Tool control is a great weakness, and materials flow still doesn't get the attention it deserves.

—*The Iron Age* 7/3/52

### **Chips Do Disappearing Act**

PRIME EXAMPLE of "automation," theme of the Ford Motor Company's Cleveland engine plant, is the automatic chip-removal system.

Dry chips fall from machines into a steel trough eight inches wide and three inches deep extending the length of the machine. One end of the trough is slightly lower than the other. A vibrating motion bounces the chips down to the lower end, where they tumble onto a vibrating conveyor, part of the system that runs under the floor and serves all areas of the plant.

From the conveyors, the chips drop into elevating hoppers. Electric eyes signal when the hoppers are filled, and the metal is trucked into tubs to be automatically made into briquettes five inches in diameter that are returned to the foundry.

Similar oscillating conveyors move wet chips along with cooling water to central settling pits. They are conveyed out of the pits automatically and discharged into tote carts for transportation to the automatic briquette-pressing operation.

—*Steel* 4/14/52

### **Fertile Field for Savings**

ONE OF THE MOST SIGNIFICANT TRENDS in industrial management is the increased attention being focused upon the closely related problems of materials handling and packaging. The incentive is a substantial saving in costs. It is estimated that handling and packaging account for 30 to 60 per cent of the cost of many manufactured items.

General Motors\* alone spent \$42 million for packaging last year. Its 35 manufacturing divisions received 42.5 billion pounds of materials. Before being used and shipped, much of this poundage was handled 30 to 50 times. Del Harder, Ford vice president of manufacturing, ventures to guess that American industry spends \$9 billion a year just moving materials from place to place.

What an opportunity for cost savings!

—*Steel* 4/4/52

\* See *The General Motors Packaging Program*, AMA Packaging Series No. 40, 1952.

## NOISE AND WORK PERFORMANCE: WHAT RESEARCH REALLY SHOWS

IT IS A MATTER of popular belief that noise, or unwanted sound as it is commonly defined, has obnoxious and detrimental effects on the behavior of people. To prove the existence of such effects, however, has been a difficult and, to some extent, a seemingly impossible task.

Numerous studies have been conducted in attempts to measure the effects of noise upon work output and work efficiency. Since "real life" conditions do not exist in the laboratory, the effects of noise or sound cannot be conclusively demonstrated under controlled laboratory conditions. Therefore, it is safe to say that any effects attributed to noise in industry may be the result of other factors. Hence the need for both laboratory and field experiments.

**Reaction Time.** Some of the earliest experiments on noise were concerned with its effects upon reaction time. For example, subjects were required to make discriminations among various visual stimuli consisting of different colored lights. Noise (a hammer striking an anvil) was (a) continuous during both reaction and rest periods, (b) continuous during only reaction periods, and (c) intermittent during only reaction periods. The results of this and similar experiments showed that noise has little or no effect on reaction time.

**Learning.** A buzzer and fire gong were sounded intermittently while subjects were learning paired associates consisting of three-letter words and digits. Tests were also run under quiet conditions. Noise interfered slightly with learning at first, but as time wore on the effects became less or negligible. Also, the subjects worked harder in the noise than in the quiet, particularly at the beginning of

the experiment.

**Intelligence Tests.** Experimenters have studied the effects of intermittent bells and noise while subjects were taking intelligence tests, clerical tests, and form board tests. In all these experiments the noise had no significant detrimental effect.

**Psychomotor Tasks.** The majority of experiments on this subject demonstrate slight, inconsistent, or no deleterious effects from noise. In one experiment concerned with so-called azimuth tracking of a gun sight, it was found that loud noise improved performance. Similar results were obtained in two experiments with typists. The effects of noise on psychomotor performance can be explained as follows:

1. For difficult tasks the subject concentrates on the task and ignores the noise; for some tasks, apparently, noise permits a greater concentration than is achieved under quiet conditions. This finding, however, must be considered tentative until further experimental proof is forthcoming.
2. Easy tasks become automatized so that noise does not disturb performance.
3. Subjects may work harder because of the noise, thereby voluntarily compensating for any distracting effects.
4. Adaptation or involuntary compensation sets in with continued exposure to noise so that the noise becomes a part of the environment.

**Communications.** Evidence concerning the deleterious effects of noise upon man's ability to communicate by speech or by auditory signals is conclusive and exact. Some fairly precise methods which take into account the major variables involved in speech communications during noise have been worked out, but seemingly no

experiments have been conducted that varied the communications efficiency and measured work output. Obviously, however, the effects of noise on work output will be dependent upon the role communications play in each particular work situation, the type of messages to be communicated, and the way in which the signal is presented to the listener. It would appear that the direct and indirect effects of industrial noise on communications are the major detrimental effect (other than deafness) that can be attributed to noise and that the control of noise with respect to the need for communications would in many cases effectively increase work output, job satisfaction, and the like.

**Physiological Changes.** Early experiments suggesting that noise might cause certain physiological changes in man were generally inconsistent and inconclusive. In addition, it has since become obvious that a distinction must be made between expected sound and totally unexpected sound. There is ample evidence that a sharp, loud sound will cause a general rise in blood pressure and a decrease in peristaltic contractions and in the flow of saliva and gastric juices. We cannot generalize from these results, however, to conclude that similar reactions are present in workers subjected to regular and expected industrial noise. Moreover, the

psychological adaptation that allows persons regularly subjected to noise to perform about as well in noise as in quiet is paralleled by an equal amount of adaptation by physiological response—with some exception, perhaps, made for hearing.

**Feelings of Annoyance.** During World War II the successful generation of obnoxious noise received almost as much attention as how successfully to eliminate noise. It was found that frequency, as well as intensity, is a variable with respect to the annoyance value of a sound.

A fairly large proportion of workers report that they felt exhausted or irritable at the end of the first hour, day, or week of working under loud factory noise. However, these feelings soon disappeared, and nearly all workers eventually felt at ease and unannoyed in their work environment. But two cautionary statements must be made:

1. The noise presumably must be of a continuous or expected nature and must not exceed a certain level.
2. In the presence of very intense noise a temporary or perhaps permanent deafness sets in to protect and isolate the worker. In other words, the ear serves as a "volume control" before returning to normal and may even remain permanently depressed.

—KARL D. KRYTER. *The Acoustical Spectrum Inservice Course Proceedings No. 38* (School of Public Health and Institute of Industrial Health, University of Michigan, Ann Arbor), p. 80:6.

## NOISE CONTROL AT ALLIS-CHALMERS

**A**LLIS-CHALMERS is one of the few companies that have embarked on a long-range program to control unnecessary noise and conserve hearing. According to the firm's industrial hygienist, Walter Scholtz, a hearing conservation committee was

formed in 1948. Its work was explained to both union officers and employees in noisy departments and was publicized in local papers—with favorable reactions. Here's what the committee has done:

First, noisy jobs were studied. A spot

check was made with a noise meter, followed by a detailed sound-level survey with frequency analyses and tape recordings, especially where the levels were above 85 decibels.

Second, all new employees are given preplacement audiometric examinations covering the frequency range 125 to 12,000 cycles per second. (Out of 3,000 persons examined, 25 per cent showed audiometric loss.)

Third, people on jobs where the noise level is over 85 decibels are rechecked at the end of three months, at the end of six months, and yearly thereafter. People are hired regardless of their hearing loss. However, if, on recheck after hiring, anyone shows appreciable additional loss, he is transferred to a quieter job.

A training course for audiometer operators covers the following points:

—Personnel Newsnotes (Owens-Illinois Glass Company, Toledo, Ohio), June, 1952.

Introduction: What is noise?  
Use of audiometer explained.  
Trainee practices with audiometer three or four hours.

Trainee rechecked by instructor.

Written instructions provided for uniform operation.

Audiograms are filed in the medical folders, and noise-level readings are made available to the plant doctor and nurses. Ear plugs or noise stoppers are made available through the medical service to men working on noisy jobs. Care is taken to see that they are well fitted, and they are regularly cleaned and serviced.

Allis-Chalmers has worked with the American Academy of Ophthalmology and Otolaryngology in making field studies and has used the Armour Research Institute as consultants. The company has received national commendation for its noise-control program.

### Efficiency Is Contagious

THE WORKS MANAGER of a factory that turns out kitchen appliances—one of the best tool engineers in the country—believes that volume production is basically a problem of materials handling. "But," he says, "it isn't just a matter of installing conveyors, lift trucks, and the rest.

"When a new piece of equipment is installed, workers must be reassured that the increased output won't be taken out of their hides. They're suspicious when they boost their production, even though they may do it with only 40 per cent of the effort they had to exert formerly. It's management's job to set them straight on what is happening and why it won't hurt them.

"You can't reap a crop by throwing some seed on the ground and forgetting about it. Neither can you install new equipment and expect to get results automatically. You've got to sell your foremen, and they've got to sell their men. Stir them up in the right way and you'll get their cooperation.

"We're all methods-conscious here," continues the works manager, "and most of the jigs and fixtures we use were developed by our foremen and rank-and-file employees.

"What's more, every now and then we celebrate an outstanding occasion with a free turkey dinner in the plant cafeteria. Preparing 2,000 pounds of turkey isn't an easy job. But our chef and his kitchen staff discovered that by boning the turkey before roasting, the oven capacity was increased two and a half times and roasting time was cut 50 per cent. And the meat was easily sliced on the rotary slicer instead of being slowly carved by hand.

"That's why I say that efficiency is contagious."

—*The Foreman's Letter* (National Foremen's Institute) 7/21/52

## Also Recommended • • •

**REDUCING THE BIG COST—HANDLING.** By Howard E. Jackson. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), May, 1952. This article tells how one firm, through the use of a new layout, saved 75 per cent in labor expense and cut handling time in half. Since the cost of the handling operation is determined to a large extent by the number of man-hours devoted to it, by the number of times the parts are stacked or stored, and by the distance transported, the layout was so designed as to eliminate storing and transportation in the production process and to reduce manual handling.

**IMPROVED METHODS BRING BIG SAVINGS.** By G. V. Adams. *Plant Administration* (481 University Avenue, Toronto, Canada), May, 1952. A methods-improvement program in effect at Minneapolis-Honeywell, based on a system of predetermined time standards, resulted in a savings of 30 per cent on direct labor. This article, through graphs and illustrations, compares old and new methods as applied to one production job. Use of a methods-layout sheet to instruct the production floor in the proper methods for each job is an important feature of the program.

**METHODS FOR CONTROL OF INDUSTRIAL NOISE IN A COMMUNITY.** By A. P. Fugill. *The Acoustical Spectrum Inservice Course Proceedings* No. 38. (School of Public Health, University of Michigan, Ann Arbor, Mich.), February, 1952. This article discusses industrial noise in terms of its effect on the community and outlines an eight-point program for noise control. Securing cooperation of all parties concerned—industry, neighborhood, government, and commerce—is essential to the success of the program, the author points out.

**STANDARDS: PATTERN FOR PLANNED PURCHASING.** By Roger E. Gay. *Purchasing* (205 East 42 Street, New York 17, N. Y.), June, 1952. In addition to reducing costs and making it possible to assemble products rapidly and efficiently, standardization facilitates the purchasing agent's job of comparing products of various manufacturers. This article presents criteria for good standards and points out how the purchasing agent can aid in their development. Evaluating standards in his field and working with his firm's engineering and operating departments to produce new ones as the need arises are among the suggestions made.

**TRAINING OF "M-H" OPERATORS.** By Ellis H. Woolley. *Pacific Factory* (709 Mission Street, San Francisco 3, Calif.), July, 1952. A training program for fork-truck operators should be aimed at giving them full information about the construction, function, maintenance, and proper use of equipment. This should enable operators to use the equipment more productively and to keep costs of maintenance and repairs low. Use of objective performance tests which make it possible for the operator to measure his skill against established performance are among the training techniques discussed in this article.

**INVENTORY CONTROL.** By Robert S. Goldberger and Emanuel Kessler. *Advanced Management* (Society for the Advancement of Management, 411 Fifth Avenue, New York 16, N. Y.), May, 1952. The authors here outline the derivation and application of a method for insuring sound inventory control. This method makes use of formulae for determining the optimum frequency of procurement of various materials, since it is at this point that combined inventory charges are at a minimum. The cost factors which it helps to keep in balance are the cost to procure, the cost to store, and the cost of capital.

**DO INCENTIVE PLANS ALWAYS INCREASE PRODUCTIVITY?** By Richard L. Hapgood. *Production Engineering & Management* (2842 West Grand Boulevard, Detroit 2, Mich.), April, 1952. One company discovered that its incentive system, because it imposed a ceiling on the amount that could be earned, was actually causing employee slow-downs. The firm solved the problem by installing a new type of plan, described here, which tied incentives to improved production. This plan increased both employee productivity and the prosperity of the business as a whole.

**BETTER PACKING CUTS LABOR COSTS 63 PER CENT.** By W. C. Cooling. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), May, 1952. This is an account of how an electronic parts manufacturer, by changing its packaging methods, cut labor costs, speeded up the packaging process, and saved money on packing materials and freight charges. The new method, which involved a change from hand wrapping and stapling to partition packaging in cartons, also saved the purchaser money by reducing his materials-handling labor costs.

### THE CUSTOMERS ARE GETTING OLDER

**W**HEN A SONGSMITH writes, "Darling, I am growing old," he is simply stating one of the less alterable facts of his personal experience. When a fast-growing segment of the population has to sing it, then it is time for business men to take notice. And that time has come. Thanks to science and better living, the number of older people is gaining faster than any other group in the population—with the single exception of the very young.

Census figures show that in 1940 nearly 7 per cent of the population was 65 and over; in 1950, 8.2 per cent was in this age group. By 1960, the Census Bureau estimates, there will be 9.2 per cent. While the total population increased 14.5 per cent between 1940 and 1950, the group aged 75 and over increased 45.2 per cent. Only the under-five group beat this gain with a 55 per cent increase.

Aging of the population has tremendous social and economic significance. This trend also presents many problems. Management, labor, and government are now wrestling with one of these—insuring a livelihood for those who are past their working prime. If older people are to be given greater spending power, this in turn will create increased demand in certain lines and call for new patterns of selling.

How much spending power the older people now have is difficult to determine. One clue is found in the Federal Reserve Board's 1951 Survey of Consumer Finances. According to FRB, 46 per cent of the family spending units headed by a person 65 or over had incomes of under \$1,000; only 4 per cent received \$7,500 and over. However, in the next to the oldest group—55 to 64—20 per cent had

incomes between \$1,000 and \$1,999; another 20 per cent had incomes of between \$3,000 and \$3,999. And more spending units (10 per cent) with incomes of \$7,500 and over were headed by people aged 45 to 54 than by those in any other age group.

The survey shows, too, that older people represent a surprising amount of buying activity. In 1950 spending units headed by persons 55 or older accounted for 15 per cent of the nonfarm homes purchased that year; those who were 45 to 54 years old accounted for 17 per cent. Some 16 per cent of the purchasers of new automobiles were aged 55 and over, as were 16 per cent of used-car buyers. And 21 per cent of the purchases of furniture and major household appliances were made by this group.

Some companies have already begun to capitalize on this growing market. For example: Gerber Products, through ads in the medical magazines, is promoting its baby foods for the bland diets required by many older people. The company estimates that 5 to 7 per cent of its baby-food sales go to this market.

Lord & Taylor, New York department store, set up a department in 1946 featuring styles and sizes for older women. The program has paid off. Since then, the department's sales have nearly doubled; it now rates as one of the 12 most important departments in the store.

Cosmetics manufacturers find ready buyers among the oldsters. Helena Rubinstein has successfully promoted its estrogenic hormone creams and oils for some years and has just brought out a new

product, contour lift film, especially for older women.

There are other fields which are just beginning to be tapped. New York has already launched a special housing project for the oldsters, and Boston is starting one. Florida, always a mecca for retired people—with an 81 per cent increase in the 65-plus population between 1940 and 1950—is going all-out to build homes that older

people can manage easily. Frank Coutant, President of Fact Finders Associates, also sees a big chance for the transportation industries in the growing number of elderly folk, since the oldsters and near-oldsters have the time to travel. The problem is to offer transportation they can afford. The recent move of the airlines to cut transatlantic rates is one step in this direction.

—Business Week, May 3, 1952, p. 40:2.

## WHY DO PEOPLE BUY?

To overcome sales resistance the salesman must know why people buy. It is equally important that he recognize which motive should be stressed at any given time. An appeal, successful today, may result in failure tomorrow. Probably desire for profit and avoidance of loss will be found to be the most important buying motive, but on occasion it will cut no ice at all. There are times when the most compelling motive is one of the following:

**Fear.** Fear of death, of ill-health, of financial loss and social insecurity, and of the unknown is a powerful motive that impels people to purchase many things they could very well do without.

Fear of permanent loss of health is all-potent. It keeps a thousand-and-one items actively on the selling list—ranging from toothpaste through trips to Florida and California. Fear of future insecurity sells homes, bonds, investments, and many other buttresses to cushion the rigors of old age. Innumerable things are bought that cater to pride, prestige, and reputation and which quiet the fear that these intangibles may be damaged or lost.

While the appeal to fear is a negative one, it cannot be ignored. Its wise application can be made to sell an astonishing number of articles that would other-

wise remain unsold. Its big drawback is that it is too often made the tool of the high-pressure salesman.

**Vanity.** This is a universal characteristic which the salesman must take into account. Any product that can legitimately be given a vanity appeal is sure of a welcome in the marketplace.

Let the salesman study his product to determine if, and to what degree, it will cater to some phase of human vanity. If it can be implied that the logical prospect for the product belongs to a somewhat exclusive, fastidious, discriminating class—or if he can be persuaded that purchase of the article will place him in that group—the appeal to vanity can be relied upon to make a home run.

**Imitation.** Persuading consumers to keep up with the Joneses has sold billions of dollars worth of automobiles, clothing, domestic equipment, radios, and television sets. These and thousands of other products have merits of their own, but their initial and continuing success has been due very largely to the instinct of "the imitative biped man" to keep up with his fellows. It is a sound instinct. It has done much to raise the standard of living, and the salesman does well to exploit it. If he can say, "Leading architects are

specifying this equipment for the best homes," or, "Seven out of ten Hollywood stars use our eyebrow tweezers," he has a powerful lever to influence sales.

**Curiosity.** The midway of a fair or exhibition where hucksters sell all manner of nostrums to a gaping public is not recommended as a place to study salesman-

ship at its simon-pure best, but some of these itinerant practitioners who play skillfully on the curiosity of their hearers and build up and maintain an element of suspense provide the salesman with many useful tips. This approach usually insures an uninterrupted and interested interview; once the prospect's interest is aroused, a sale can often be made.

—*Sales Reminders* (NSE Salesmen's Service), No. 3.

### **That Extra Something—Premiums Today**

FOR MORE THAN 100 YEARS premiums have been used to help influence customers. Today, their use has become very nearly essential to the sales of highly competitive, rapid-turnover brand products.

Among the important factors that create greater need for the use of premiums are those inherent in today's product-selling problems: Prices of competitive brands are practically the same, both to customer and retailer; the packaging of competitive brands is very similar, with quantity of merchandise, size, shape, colors, and types of picture appeal much alike; and, since competitive products themselves are very similar in quality, ingredients, etc., the advertising claims are alike.

Then, when these similar products in similar packages get on store shelves, they practically have to sell themselves because of the marked change in buying habits within the past decade. The store clerk no longer sells Mrs. Consumer. She is sold by eye appeal—position on the shelf, store displays, or something extra like a premium.

According to a recent (1951) survey conducted by National Family Opinion, Inc.:

1. Mrs. Premium Buyer is most likely to live in the Middle or South Atlantic States or in the East North Central or Pacific area.
2. She is most likely to live in a rural area. However, she may live in a city with a population of 100,000 to 500,000 or in a large city of more than a million.
3. She may be almost any age, but she is more likely to be between 25 and 45 years old.
4. She operates on an annual family income ranging from under \$2,000 to \$5,000 a year but is less likely to come from the \$5,000-a-year-or-more income group.

The member of the family most likely to send for premiums is still Mrs. Homemaker herself. Perhaps, however, as men continue to do more family shopping, we may in time have to find more premiums that will appeal to men!

—MARGARET HARRISON in *Printers' Ink* 5/2/52

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MORE MONEY is being put into the consumer's "sock" today to the confusion and disgust of the manufacturer and retailer. Consumers are saving money, to the tune of \$20 billion in 14 months. And there's nothing in the picture to suggest the end of this squirrel-like thrift, says *Business Week*. The consensus, however, is that we may look for a saving rate somewhat lower than the current 8 per cent, but nothing like the postwar 4 per cent rate.

—*Back Talk* (J. M. Kesslinger & Associates, 37 Saybrook Place, Newark 2, N. J.) No. 60

## ESTABLISHING A SALES BUDGET

**A**LTHOUGH MUCH remains to be done before the sales department begins to operate on the precision level achieved by the manufacturing department, the setting up of sales budgets by an increasing number of companies is a step in the right direction. What procedures are used in developing these budgets? A survey of representative companies reveals the following practices:

Most companies preparing detailed sales budgets rely on past experience to establish many of their figures. The various items entering into the total sales cost are reviewed and, on the basis of a reasonable estimate of future needs, are increased, decreased, or held at the previous year's level.

Also, budgets are often set up according to estimates of sales volume. If these budgets are based on the "job-to-be-done," they can be fairly realistic. The market research division of a pharmaceutical house, for example, determines the estimated sales for the coming year on the basis of current sales trends, competitive conditions, economic conditions, and anticipated sales promotion. This sales estimate is approved first by the vice president in charge of sales and then by management.

In an industrial instrument company, the budget is based on such information as last year's sales versus forecast, last year's sales expense versus budgeted expense, estimate of personnel required to continue existing sales activity for coming year, customarily used ratios, and market predictions. This company has found a very close correlation between salaries and sales expense. Product-group sales managers are responsible for setting up the initial budget figures, which are then reviewed and discussed with the vice president in charge of sales.

The vice president of a successful appliance manufacturing business points out that in establishing its budgets, management refers to every possible source of business information and then "takes a good guess." Although he feels that from a financial standpoint setting up a percentage allowable expense for sales and religiously maintaining such an expense level is sound, he is equally convinced that from an advertising and sales standpoint such practice is wrong. Instead of setting a normal, unbreakable percentage expenditure, he believes that it is far better to price the product in a way that will allow an amount over and above normal for use in promoting the product on a continuing basis.

A company's sales budgets will fluctuate from year to year. But what is the general trend where these budgets are concerned? Is it toward increased or lower sales budgets? Fifty-eight per cent of the companies surveyed state that their current sales budgets are under last year's. Of those companies reporting lower sales-cost budgets, the majority report higher sales volume, with the same sales force and the same fixed costs. Some are experiencing increased volume because of expanded production facilities. In a number of companies, a lower ratio of costs to sales is caused by increased sales activity during the past year or two.

Most of those companies with increased budgets have expanded their sales force or their sales activities or both. They anticipate increased sales costs this year in return for greater sales volume later on. Only a few companies mentioned inflationary increases as a cause of higher budgets. Some pointed to fixed costs and falling sales volume as reasons for higher budget ratios.

What items should be classified as sales

costs? The following checklist shows what items are charged to sales by one or more companies:

**Compensation:** Salesmen, sales executives, sales staff, sales correspondents, publicity staff, advertising staff, advertising executives, market research staff.

**Bonuses:** Salesmen, sales executives, advertising executives.

**Travel Expenses:** Salesmen, sales executives, advertising executives.

**General Expenses:** Conventions, trade

—Dartnell Research Study No. 616 (Dartnell Sales Service, Chicago 40, Ill.).

shows, sales promotion, market research, branch offices, permanent displays, association memberships, magazine subscriptions, public relations.

**Advertising Expenses:** Trade publications, catalogues and literature, direct mail, consumer magazines, newspapers, television, national and local radio.

**Operating costs:** Warehousing, shipping, servicing, installation, bookkeeping, credit department—plus office equipment and supplies and headquarters overhead.

## COMPANY PREPARATIONS FOR COMPETITIVE SELLING

PROGRAMS TO INCREASE effectiveness of sales activities have been initiated during the past few months by a majority of the 157 companies recently surveyed by the Conference Board. More than half report recent expansion or improvements in the sales force. A majority of the companies who use dealers are working to improve the dealer organization. And more than a third of all cooperating companies are increasing 1952 advertising appropriations over 1951 expenditures, though many of these increases are normal or merely reflect higher advertising costs.

Many firms, however, report that because they continued sales activities at a high level during the war and postwar periods, today's market weaknesses do not require a radical change in marketing methods. Sales forces in these firms have been maintained at or near full strength, and customers contacted regularly. Training of salesmen and dealers has been carried on in preparation for an eventual expected sales decline. And the findings of market research have both solved immediate problems and provided a backlog of data of future usefulness.

Also, many firms report no change in

current activities because they feel that increased marketing activity will have little effect on sales. Dependence on another industry for orders or a limited number of customers are reasons commonly given.

Steps to improve the sales force are being taken by more than half the companies surveyed. The most common steps are increasing sales-force size, reorganization of sales management and territories, intensified sales training, and changes in salesmen's compensation. Sales-force reorganizations mentioned are confined primarily to the district level. They include, however, both territory reorganizations and shifts in district management. Preparing salesmen for competitive selling, both psychologically and through greater knowledge of products and sales techniques, many executives say, is one of the gravest current problems. To solve this problem, approximately a third of the companies report a continuation or intensification of sales-training programs. A few firms report changes in sales-compensation plans and several others stated that they would willingly consider revamping their compensation plan if the changes they desire to make were not prohibited by wage stabilization.

Companies who use dealers are almost evenly split between those who report they are not altering their dealer activities and those who are working to improve their dealer organization. The most commonly reported dealer activities are intensified training, closer inventory checks, greater selectivity in choosing dealers, weeding out and replacing incompetent dealers, and development of new or stronger merchandising plans.

Advertising appropriations and methods are undergoing changes in keeping with 1952 sales needs, executives report. Budgets are trending upwards and advertising is being aimed more specifically at individual markets.

While more than a third report higher advertising expenditures for 1952 than for 1951, many of such changes are relatively small. Some firms report increases just sufficient to cover higher space or time rates. In other cases increases sim-

ply reflect using a constant percentage of increasing sales for advertising and promotion. However, several substantial increases, ranging up to double 1951 expenditures, are reported. Many executives anticipate lower advertising appropriations in the future as a result of sales declines.

Asked to forecast the most difficult problems that they believed they would face should market weakness broaden and worsen in the next year or so, executives listed such problems as: training the sales force for competitive selling; price cutting within the industry; maintaining demand for quality products in a period of price consciousness; maintaining an experienced dealer organization staffed with well-trained personnel; making effective use of advertising and sales-promotion programs to maintain the percentage sales cost on gross sales.

### ***The Strategist in Marketing***

WITH THE GROWTH and spread of the marketing revolution, a new figure has become increasingly important in U. S. business. He goes by any of several names: vice president in charge of marketing, distribution, or consumer franchise; marketing consultant; or, simply, general sales manager. Whatever his title, he is a different sort of person from an earlier fixture—the high-powered, two-fisted, fast-talking sales manager.

It is comparatively simple to visualize this change if you think of it in two basic military terms—strategy and tactics. The traditional sales dynamo was essentially a tactician. He believed that his product was the best of its sort ever made; he sold it by plaudits and platitudes, by whipping himself into a frenzy of enthusiasm, by pouring forth energy in gross lots. He never found out what was meant by the depth interview, and he never stopped to worry about motivating factors in consumer purchases.

The marketing expert who has come up to match—and in some companies to surpass—the super salesman is a strategist, concerned less with this month's battle than with this season's campaign, less with today's sale than with tomorrow's position. He doesn't talk unit sales or sales goals as much as he does "share of the market." He specializes in channeling sales efforts and sales people into directions and markets that will be more productive now and more promising later. He is willing to dump any traditional device if something better comes along—after severe market tests. That, in his code, is basic.

The cult is growing. Unless every company has its marketing strategists as well as its sales tacticians, it may be guilty of committing the one greatest business sin of all—not keeping up with the competitive times.

—REGINALD CLOUGH in *Tide* 5/30/52

## "COMBO PROMOTIONS" — NEW DISTRIBUTION TREND?

THE NEW SALES TECHNIQUE which is booming home freezers by selling them in combination with bulk quantities of frozen foods may seem at first glance to be unique to the industries involved. However, this type of promotion raises some questions of both short- and long-range significance for all sellers. Now there are many indications that "combo" promotions will make some permanent changes in merchandising methods.

The plans have spread across the country and are still growing rapidly. All types of outlets are now in the picture—supermarkets, department stores, associations of independent food retailers, and appliance dealers—not just special food clubs.

Organizations like the Better Business Bureau and Consumers Union have found that actual savings, if any, are much lower than claimed. Under the tie-in plans, freezers are sold at list prices plus interest and finance charges, yet buyers for cash get 20 to 30 per cent discount today. On meat, savings appear at first to be considerable but are disappointing on close examination; and, as far as frozen foods are concerned, the average plan charges only slightly less than the chain stores, if not the same price, for the identical brand. Moreover, food plans offer a very limited choice of brands, if any.

Sales executives in a wide range of industries see a number of age-old, vital marketing questions churned up by the new development:

Will the combined promotion of two or more items boost the sales of each to a higher level than either could achieve alone? Preliminary evidence seems to indicate this. Sales, however, may be adversely affected by criticism centering around plans advertising meat and frozen

food at "substantial discounts" which do not mention that the purchaser must also buy a freezer. Moreover, such combination deals have become considerably less attractive since OPS ruled that (a) purchasers can't be required to buy an appliance in order to obtain beef; (b) beef sold to purchasers of appliances must also be offered to the general retail trade; (c) no financing charge can be levied for beef.

Can an individual manufacturer stand up under the growing pressure of a joint, dealer-sponsored promotion of his product? Ironically, the very success of the food-freezer plans represents the greatest danger to the manufacturer who benefits most at the start. As any plan grows stronger, its dependence on the individual freezer maker becomes less.

Also, there is evidence that the most vigorous promoters are pitting one manufacturer against the other to develop their own private brand names. It may well be that the most successful plans will wind up promoting private brands (bought at exceptionally low prices) exclusively, while the national-brand manufacturers will be left selling to those plans which have been least successful.

Is it possible for the wholesaler to avoid the resentment of dealers and distributors when, by servicing the consumer directly, he is selling in competition with them? This aspect of dual distribution is being watched with particular interest. So far, the food-plan people don't seem to have found any real answer despite the fact that in many cities there has been extremely strong opposition from retail food stores.

In the first stage of a food plan some food processors feel they can afford to buck opposition because of the immediate increase in dollar volume. One food

processor who is servicing several thousand homes directly, in addition to supplying his retail customers in the same areas, admits he has lost business from some stores—but says he can afford it since the average consumer order is \$40. But when sales slacken, as they inevitably will, the loss of business from retail stores may hurt seriously.

Can consumers' buying habits ever be

—*Distribution Report* (Research Institute of America, 292 Madison Avenue, New York 17, N. Y.), July 8, 1952.

really changed? The new food-freezer plans are in effect an attempt to change the average housewife's habit of shopping daily. If the new plans succeed in breaking down that tradition, then sales executives in a wide range of other consumer products will see the way open to overcome other types of traditional buying habits and to promote their products through basically different appeals.

## SOME DO'S AND DON'TS FOR MESSAGES TO SALESMEN

MANY MESSAGES and bulletins to salesmen are still making use of the inspirational concepts and the inspirational phraseology of 30 years ago. When the same query that *Fortune* applied so brilliantly to most "institutional" advertising—"Is Anybody Listening?"—is applied to them, it can only be concluded that too many salesmen "listen" to too little of what comes to them in sales messages because these messages are badly out of focus.

What can be done about it? Here are some suggestions:

1. Don't write "down" to the salesman. Don't shout and don't try slang, especially if your slang is Mid-Victorian.
2. Don't be afraid to give competition a bit of credit for intelligence, imagination, and energy. Your salesmen have plenty of reason to know that competition isn't completely asleep!
3. Admit an occasional mistake. Self-criticism will make your criticism of the salesmen more palatable.
4. Don't make the awful mistake of concluding that so-called "pep" talks really stimulate salesmen. At least 90 per cent of "pep" talk is more sleep-producing than pep-producing.
5. Adjectives can't take the place of ideas. Too many sales messages are heavy on adjectives and superlatives and lean on constructive suggestions.
6. Always remember that for every shortcoming the home office attributes to salesmen the sales force believes it can shoot back two chargeable to the home office. Do salesmen irritate the home office with their mistakes? Of course. But only those who have been salesmen can understand how the home office irritates salesmen with sins of omission and commission!
7. Cut, cut, cut. *The story of Creation is told in the Bible in about 700 words.* Let that be both a lesson and a guide.
8. Use numbers and side captions to break up the message. Salesmen aren't the world's best readers—and, according to some authorities, neither are most business executives! Too often, the very executives who complain that everything they read

is too long send out 5,000-word sales bulletins!

9. If your competition has stolen a march on you, and if your men are being called down as a consequence, don't write them that they haven't a thing to worry about. Instead, give them a practical plan for counterattack. Too many sales messages are as unrealistic as *Alice in Wonderland*.
10. Dictated messages are usually long, rambling, poorly organized. Go over a dictated bulletin with a blue pencil in each hand or give some-

one the authority to do an editing job. Make certain, however, that the "someone" assigned to the job is permitted to use the blue pencil as freely as he sees fit.

11. Don't be subtle. A fast-reading salesman probably won't catch subtlety.
12. If you ask your men to keep your sales bulletins in a binder, furnish them with an index. Have you ever seen a salesman plod through a binder of bulletins trying to locate a needed point?

—*Grey Matter* (Grey Advertising Agency, Inc.), June 15, 1952, p. 2:2.

### **Revolution in Retailing Foreseen**

THE REVOLUTION now underway in retailing is destined to cause some major changes during the next decade, says E. B. Weiss, Director of Merchandising, Grey Advertising Agency. According to Mr. Weiss:

1. The time is not far distant when in one merchandising category after another from 35 to 60 per cent of total volume will be done at night.
2. This revolution will lead us ultimately to a five-day week in retailing.
3. Monday will eventually replace Saturday as the big retail day of the week.
4. It is entirely likely that in 10 years or in 25 years we will be having a 32-hour work week and a three-day weekend.
5. We will see a growing trend toward store openings at 10 o'clock, at 11 o'clock, and perhaps, ultimately, at noon.
6. In 1952, some 20 giant retailers will do an \$18 billion retail volume, and they will take in one out of every four dollars spent by the public for over-the-counter merchandise.
7. In just a few years these 20 giant retailers may be spending as much as \$300,000,000 for exploitation of their own brands, and the major share of that will go to the newspapers.
8. There is a growing tendency for merchants in planned shopping centers to advertise jointly, often under leasehold arrangements. This will undoubtedly have a very definite effect on cooperative arrangements between manufacturers and retailers.
9. Papa will continue to emerge as a shopper. Already almost every supermarket reports that men shopping alone buy up to 25 per cent of total food volume.
10. Department stores are experiencing a substantial increase in couple shopping and will continue to do so. New store hours have made it possible for men to shop at night, and the fact that so many millions of women are at work makes it necessary for men to interest themselves in the shopping problem.
11. The fundamental trend toward self-service and self-selection is the greatest single aspect of the revolution in retailing. What has happened in food in the supermarkets and is now happening to non-foods in supermarkets will ultimately occur in non-foods in non-food outlets.

—*Advertising Age* 6/23/52

## Also Recommended • • •

**THE INDUSTRIAL BUYER TELLS YOU . . .** Industrial Distribution (330 West 42 Street, New York 36, N. Y.), May, 1952. This is a report on a survey made to provide industrial distributors with facts and figures on industrial buyers' purchasing habits. Information on why a buyer buys from certain distributors, what share of his business they get, how supply salesmen impress him, what he thinks of distributors' services, and how he uses their catalogues is presented. Complete stock and prompt delivery are among the most important reasons for a buyer's giving a distributor a large share of his business.

**HOW TO THINK ABOUT MAILING AND PRODUCTION.** By Henry Hoke. *The Reporter of Direct Mail and Advertising* (53 Hilton Avenue, Garden City, N. Y.), April, 1952. The entire issue of this magazine is devoted to a comprehensive outline for training production and mailing supervisors in the complicated phases of direct mail. The advice given should be applicable to an organization that mails 500 pieces a month, or one that mails a million. Included are suggestions on books to read; information on visits to paper mills, type foundries, engraving plants, lithographers, letter shops, etc.; steps in planning production; and a method of planning production layout.

**PARKER DAVIS & COMPANY HIRES ONE OUT OF TWELVE SALESMEN.** By Dwight G. Baird. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), May, 1952. Field representatives of this 85-year-old pharmaceutical firm rank among the most successful in the industry, the author points out, despite the fact that recruiting for this firm is not easy, since an applicant must have certain technical qualifications in addition to the ability to sell. This article describes the company's recruiting plan, which makes use of aptitude tests, and its training program, which emphasizes self-improvement.

**ANY MARKETING OR ADVERTISING PROBLEM CAN BE SOLVED WITH MATHEMATICAL FORMULAS, SAY U. OF C. EXPERTS.** By Bruce M. Bradway. *Advertising Age* (200 East Illinois Street, Chicago 11, Ill.), March 10, 1952. Advertising and marketing of consumer products can become a mathematically precise science, in the opinion of Nicholas Rashevsky, professor and chairman of the committee on mathematical biology at the University of Chicago. He believes that mathematics could be used for such purposes as calculating product and package-design appeal before release of the

product and for tailoring the printed advertisement for maximum impact upon readers. Such formulas, based on the application of the mathematical theory of probability, could be developed within three to five years if two mathematicians worked on them full time, according to Professor Rashevsky.

**WHAT KIND OF VALUES DO YOUR ADVERTISING DOLLARS NOW BUY?** Tide (232 Madison Avenue, New York 17, N. Y.), May 2, 1952. In an attempt to determine the true cost of advertising in terms of the number of people it reaches, Tide conducted a study in cooperation with the Magazine Advertising Bureau and reached the following conclusions: Discounting the rise in consumer prices, advertising is a 73 per cent better buy today than it was in 1941, in terms of family spending power. Taking the consumer price rise into consideration, advertising is about the same kind of buy as it was just before the war. In either case, rises in advertising rates over the 10-year period have no more than kept pace with other changes in the economy.

**SELL MORE OR FACE DEPRESSION AS DEFENSE TAPERS OFF.** By Arno H. Johnson. *Advertising Age* (200 East Illinois Street, Chicago 11, Ill.), May 12, 1952. The expected cutback of \$20,000,000,000 in defense production in 1953 or 1954 can cause a business depression—but it need not, if an intelligent selling and advertising job is done. In his fifth annual analysis of the current economic situation, J. Walter Thompson's vice president and director of research sharply defines both the opportunities and the job ahead. For example: an increase of only 10 per cent in the civilian standard of living by 1954 could offset the defense production cut; and a level of productivity by 1957 no greater per capita than was achieved in 1944 would provide both for a continuing annual defense budget of over \$40,000,000,000 and opportunity for an expansion of one-third in the national standard of living.

**10 WAYS TO BEAT TOMORROW'S COMPETITION TODAY.** By William J. Tobin. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), March 28, 1952. This article outlines a 10-point program to aid salesmen and division managers in increasing sales. Improving prospect-finding techniques, developing skill in business forecasting, and using research to find new markets and to ascertain the requirements and preferences of customers are among the points covered.

## Financial Management

### HOW MUCH INTERNAL AUDITING IS ENOUGH?

**D**URING THE PAST DECADE, many companies have experienced an unprecedented expansion of physical facilities and personnel, involving virtually every phase of operation. As a result, procedures of 10 years ago may today prove ineffective and uneconomical. Furthermore, the acute labor problems of recent years have had deterring psychological effects on all supervisory personnel. Executives and administrative analysts have recognized these trends and are endeavoring to find new and improved methods of managerial control. One phase of such control has been the expanded use of internal auditing. No longer associated with or limited in its scope to traditional accounting subjects, it is now a service aid to management in evaluating departmental and divisional performance in terms of management's policies and objectives.

The primary responsibility for safeguarding assets and preventing and detecting errors and fraud rests on management. Nor can management delegate this inherent responsibility of stewardship to the independent public accountant, whose work should be properly regarded as a complement rather than as a substitute for that of the internal auditor.

The public accountant is concerned primarily with expressing an opinion on the reasonableness of dollar amounts contained in financial statements. The internal auditor, on the other hand, is concerned not only with the verification of dollar amounts but also with determining whether the particular transaction was properly authorized and recorded in accordance with established procedures. Also, he endeavors to appraise the ade-

quacy and effectiveness of such procedures and to recommend needed changes.

In attempting to decide how much auditing is enough, the internal auditor should first try to satisfy at least the minimum requirements of the independent public accountant. In view of management's basic responsibility for the authenticity of financial statements, he should include among his duties a periodic verification of all balance sheet accounts. Such verification should be coordinated to the maximum extent with the activities of the independent public accountant. Indeed, opportunities for expanded cooperation between the internal auditor and the independent public accountant are becoming increasingly evident and would certainly appear to be in the best interest of both industry and the accounting profession.

In auditing the accounts and records of any company, there is no sure mathematical formula for determining what constitutes reasonable coverage. The internal auditor must rely largely on judgment and experience, ever recognizing that inadequate test checks usually result in erroneous conclusions while, at the other extreme, too many test checks constitute economic waste.

Though management looks to the internal auditor for independent appraisals of the practices and procedures of all departments, few, if any, accounting systems provide management with adequate means for evaluating individual departmental performance. Time and close familiarity with any operation often obscure the need for change; therefore, vigilant independent analysis is the only

assurance that acceptable performance standards are maintained. Some departments are inclined to interpret their effectiveness on the basis of the number of transactions handled and the promptness with which they are completed, whereas the internal auditor endeavors to associate all transactions with specific company policies and practices. While operational or functional audits demand great ingenuity and resourcefulness of the internal auditing staff, they are effective in helping each level of management to achieve the standards of performance which the members themselves are desirous of maintaining.

The internal auditor should approach all such audits as a practical business man and not as a theorist. He should be alert to economic factors, particularly that business risks should be measured very often in terms of cost of control. And,

—CHARLES J. NICHOLS. *Edison Electric Institute Bulletin*, May, 1952, p. 165:3.

above everything else, he should be an astute observer of people and should recognize the importance of the human factor in the success of any company operation. He should never convey the impression of being dissatisfied with everything and everybody yet unable to make any constructive suggestions for improvement.

Operational or functional audits of all operations of a company should not be attempted every year. Instead, the internal auditor, together with top management, should carefully consider all operations each year and then select a limited number for intensive audit. While the auditor may not get as broad a coverage each year, his more comprehensive coverage of a specific number of operations should prove more beneficial to the company's interests than the conventional type of audits.

## SHARE OWNERSHIP IN THE UNITED STATES

THE ARE approximately 6,500,000 individual owners of publicly held stock issues in the United States. They are members of 4,750,000 family units. One in every 16 persons in the adult population owns shares in at least one stock issue, and there are one or more share owners in every tenth family. These are among the principal conclusions of a comprehensive analysis of the ownership of private industry and the composition of the share-owning population made recently by The Brookings Institution.\*

There are 30.3 million shareholdings in stock issues traded on the organized stock exchanges and over the counter, it was

found. Each holding by an individual or other owner counts as one shareholding; thus a person who owns shares in five stocks has five shareholdings. The number of shares in the 16,655 stock issues classified as publicly held is estimated at almost five billions.

The large difference between the number of shareholdings and the number of share owners results from two factors. First, a substantial number of shareholdings are in the names of fiduciaries including trustees and guardians, investment companies, insurance companies, institutions and foundations, and other non-individual holders. Second, on the average the number of separate issues owned by individual owners is 4.1.

Shareholdings in the names of men and

\* *Share Ownership in the United States*. By Lewis H. Kimmel. The Brookings Institution, Washington 6, D. C. 1952.

women are approximately equal, but men own slightly over four shares for every three held by women. The average number of shares per shareholding—common and preferred—in the names of men is 160. The comparable estimate for women is 115.

New York accounts for more shareholdings than any other state—about six millions and a little over one-fifth of the United States total. The next ranking states are Pennsylvania, California, Illinois, and Massachusetts. When comparison is made on the basis of number of shares, the same order obtains except that California outranks Pennsylvania. At the other extreme the estimate for Nevada is only 25,000 shareholdings and that for Wyoming 31,000.

Individual owners of publicly held stock issues are relatively more frequent among people of 50 to 59 years of age than in any other age group. An estimated 27 per cent of all share owners are in this age range. Individuals 60 years old and over account for almost as many share owners as the 50 to 59 group, but the proportion of people in this group owning shares is somewhat smaller. The proportion of people who own shares rises with age up to 60 years.

There is a direct relationship between share ownership and education. Those who have had four or more years of college work have the largest relative number of share owners; an estimated 18 per cent are share owners. Those who attended college but did not complete a four-year course rank next; the proportion is 15 per cent. Among those who completed four years of high school, the proportion is about one-half that for those who attended college but did not complete a four-year course.

The level of income has a direct influence on share ownership. Of the family units with incomes of \$10,000 and over, 55 per cent include one or more

share owners. For the \$5,000 to \$10,000 bracket, the figure is about 20 per cent. In the \$4,000 to \$5,000 range the incidence of share ownership is over 7 per cent. In the lower brackets there are further declines, but it is of interest that more than 200,000 families with incomes of less than \$2,000 own shares.

The proportion of share ownership is highest for administrative executives—about 45 per cent are share owners. Operating supervisory officials rank second; 19 per cent of individuals in this classification own shares. Professional workers in technical fields rank third with 13 per cent, and those who render personal services—doctors, lawyers, and others—are fourth with 12 per cent.

The proportions of families and individuals owning shares is highest in the Far Western States—about 12 per cent for families and 6 per cent for individuals. The Eastern States rank second with 10 per cent and 4.3 per cent. The North Central States are third with 9.6 per cent and over 4 per cent. This region accounts for the largest number of share owners—both family and individual. The Southern group is lowest with less than 8 per cent for families and 3.3 per cent for individuals.

Share ownership is more frequent in medium-size cities than in larger cities and small towns and rural communities. Cities of 25,000 to 100,000 show the highest proportion of share owners. Rural areas have the smallest proportion of share owners, but they account for 1,630,000 individual owners.

Individuals owning shares in only one issue account for 46 per cent of all share owners. Those with not more than three issues account for about 72 per cent of all share owners. Only about 8 per cent of all share owners hold 10 or more stock issues. Approximately two-thirds of all share owners have owned one or more stocks continuously since World War II

—1944 or earlier. About one-fifth became owners during the past three years. Six per cent became share owners during 1951 or acquired shares again during that year.

The study reveals that vast numbers of people have a direct stake in the ownership of business enterprise. In addition to ownership of stocks, the general public

has a substantial interest in the operation of corporations by virtue of ownership of bonds and other credit instruments—both directly and indirectly through holdings of life insurance and savings accounts. Viewed as a device for tapping the savings of the people, the corporate form of organization has been remarkably successful.

### **Salaries in Accountancy**

**BEGINNING SALARIES** of new college graduates with a major in accounting tend to be higher in private than in public accounting, and in both fields the average starting salary received by graduates in the mid-year 1951 class was markedly higher than the averages for June, 1949 and June, 1950 graduates. These conclusions are based on a survey of accounting majors conducted in 1951 by the Bureau of Labor Statistics in cooperation with the United States Office of Education.

The average starting salary of new graduates entering public accounting (excluding graduates of New York City schools) rose from about \$210 a month in the summer of 1949 to \$220 the following year and \$240 in the spring of 1951, according to the survey. The average for graduates entering private accounting was approximately \$230 in 1949 and about the same in 1950; however, by early 1951 it had risen to about \$260 a month.

Though as a rule the large accounting firms start new graduates at lower salaries than those paid by private business firms, there is reason to believe that the salaries paid to semi-senior accountants are just as high as those received by experienced accountants in private industry. Thus a senior accountant employed in New York City in July, 1951, with eight or more years of experience, would be earning a weekly salary of \$135 regardless of whether he were employed by a public accounting firm or a private business firm.

Salaries tend to be considerably higher in public accounting firms that specialize in making audits for large companies than in accounting firms that either audit small companies or perform public bookkeeping (often referred to as "write-ups"). The latter usually pay lower salaries to accountants at all levels of responsibility than those customarily paid to men with comparable experience in private industry.

The earnings of independent practitioners, partners, or sole proprietors depend to a large extent on the type of service rendered and the size of the company serviced. The average annual net income of partners in 1945 was well over \$10,000 a year. The average dropped to \$8,600 in 1947, but this drop was probably due to the tremendous increase in the number of new firms and new partners who had not yet had time to become fully established. The income of individual practitioners is ordinarily much lower than that of partners. Nevertheless, some accountants in business for themselves, as well as a considerable number of partners, have net annual incomes of \$25,000 to \$50,000, or even more.

—*Employment Outlook in Accountancy* (U. S. Dept. of Labor) Bulletin No. 1048

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**PERHAPS** a big boost to business may lie in the fact that next year, in '53, \$5,164,000,000 worth of savings bonds will mature. The figure for '52 is \$3,590,000,000. In 1954, the maturities will total \$5,697,000,000. After that there is a steady decline in the amount of bonds that will become cashable for the full amount.

—*Back Talk* (J. M. Kesslinger & Associates, 37 Saybrook Place, Newark 2, N. J.) No. 60

## IMPACT OF SALARY CONTROL AND INCOME TAXES ON EXECUTIVE PAY

MANY COMPANIES have not been able to maintain executive take-home pay since World War II, according to a survey of 121 manufacturing firms recently completed by the Conference Board. High taxes rather than salary stabilization regulations are felt to be responsible for this failure.

Executives are not adversely affected by salary stabilization, two out of three co-operating companies report. Salary increases granted by these firms have fallen within the limits permitted by the Salary Stabilization Board. However, executives in these companies are of the opinion that it is still too early to evaluate the influence of controls and that the real difficulties appear to lie ahead.

Executives are faring poorly under salary stabilization, according to the other third of the companies surveyed. These companies find that permissible merit and cost of living increases generally cannot match the increased responsibilities of their executives. Therefore they feel they are not able to compensate them adequately under salary stabilization regulations. Companies emphasize time and again that even when the job title does not change, it may carry a greater number of duties so that in effect it becomes another job. The program presently lacks sufficient flexibility to meet this situation, it is believed. Problems are also faced by those companies whose executives are receiving enticing outside offers. This group reports little success as yet in meeting this problem.

Whether their actual experience with salary stabilization has been favorable or otherwise, few companies have a good word for it. There is strong doubt among executives concerning the basic assumption underlying salary controls.

They question that salaries can be administered without a personal evaluation of the executive and a knowledge of his duties.

Though one out of six cooperating executives would recommend the elimination of salary controls, others, believing that they must continue to live with them, offer suggestions for improving their administration. The failure to get petitions acted upon with reasonable promptness is a major complaint of many companies. To minimize such delays in the future, several companies recommend that the board give regional offices sufficient local authority to make decisions. Other companies complain of the slowness of the Salary Stabilization Board in developing regulations—one company calls it a "reluctance." Some ask for the establishment of equitable and understandable regulations. Still others complain about the unnecessary paper work involved. However, it is noted by some that the administration of controls has improved in recent months thanks to a better understanding of industry's problems.

Another concern of management is that high taxes prevent executive compensation from reflecting length of service with the company. Many executives find that the struggle simply to maintain take-home pay ignores the fact that there is no gain in net income for the additional years of experience, responsibility, and service with their companies. Several executives also stress the influence of taxes on younger executives. Though as yet few instances are reported, some companies have lost younger executives who have chosen to go into business for themselves.

Because of the sharp inroads made on executives' compensation in recent years, many companies have instituted plans

which provide for bonuses, profit sharing, pensions, stock purchases, stock options, and liberalized insurance agreements. Also mentioned were more generous expense accounts in connection with company business.

Some companies question that they

have any responsibility in maintaining executives' take-home pay, which seems to be implied as an obligation of industry. Most companies point out that to do so would be impossible in the face of present personal income taxes and believe their executives are generally aware of this.

### **Savings Make Possible Record Investment**

THE IMPORTANCE OF SAVINGS by business as well as by individuals has been demonstrated by the extent to which capital has been accumulated and made available for productive investment in every area of the economy in the years following World War II.

Figures compiled by the U. S. Department of Commerce show that a total of \$138 billion had been invested in new plant and equipment alone between 1946 and 1951. Average plant and equipment expenditures for the 1946-51 period as a whole were practically twice as great on a per capita basis as they were in 1929, the peak investment year of the booming Twenties.

In other spheres of private investment Department of Commerce figures show that a total of \$51 billion has been put into the building of new homes from 1946 to the end of last year. Another \$26 billion has gone into farm equipment and construction. Adding miscellaneous construction and changes in inventories, total private investment amounts to approximately \$242 billion for the six-year period, a sum equivalent to \$1,550 for everybody in the population today. The predominant source of the funds involved in these vast expenditures has been the savings of individuals and of business.

A look at the record shows that business itself, through its retained earnings (essentially the same as the savings of individuals) and its deductions for depreciation and depletion, has been able to supply a major part of the money it needed for new plant and equipment. Without such funds, in fact, the record investment of the last few years would not have been possible. Savings of individuals, at the same time, have made an important contribution in this field as well, in addition to helping to finance home and farm expansion.

—*Insurance Advocate* 4/26/52

### **Facts for Stockholders**

FINANCIAL STATEMENTS in corporate reports have become increasingly informative over the past half-century and, if present trends are encouraged, will become even more useful. So declares Stewart Y. McMullen, Professor of Accounting at Northwestern University, who predicts that in the future—

All companies will publish a balance sheet, an income statement, and an analysis of retained earnings. These statements will reveal information on gross revenues, methods used in valuing marketable securities, the basis of valuation employed in connection with fixed assets, and the par or stated value of outstanding stock. Although companies will not indicate how they compute depreciation, they will reveal the total depreciation charged each year.

Companies will report whether they use "cost" or "lower of cost or market" inventory calculations, though they will not necessarily state whether they use FIFO, LIFO, or average cost. Except for leases and licenses, intangible assets of all types will be shown at nominal value. The word "reserve" will not be used, and

the reserve section will rarely appear on published balance sheets, which instead will contain an "allowance" for doubtful accounts and "accumulation" depreciation.

Finally, Professor McMullen predicts, retained earnings appropriations for inventories and contingencies will rarely if ever appear, and if they do, they will be in the stockholders' equity. However, self-insurance credits will be established by 3 companies in 10, and they will classify them throughout the balance sheet.

—Commerce 6/52

## Also Recommended • • •

**ACCOUNTING LEADERSHIP AND RESPONSIBILITIES IN INDUSTRY.** By Fladger F. Tannery. *The Accounting Review* (University of Rochester, Rochester, N. Y.), July, 1952. If the accountant is to do an effective job of selecting significant information and of analyzing and presenting it in a way that will be useful to management, he must have a broad general educational background, a thorough understanding of the real meaning and use of accounting techniques, an appreciation of management's problems, and the courage to accept increasing responsibility. The author, who feels that the accounting profession does not completely measure up to these standards, presents a seven-point program which should help the individual accountant, directly or through the various institutions in the field, to improve his qualifications for leadership in industry.

**ADAPTING STANDARD COSTS TO DEFENSE PRODUCTION.** By Harry E. Howell. *N.A.C.A. Bulletin* (National Association of Cost Accountants, 505 Park Avenue, New York 22, N. Y.), July, 1952. Standard cost systems—which the author maintains are the best means of controlling waste, extravagance, hidden losses, and inefficiency—are being discarded, although no other effective system has been devised to replace them. Mr. Howell discusses the inadequacies of standard cost systems which has brought this about and presents a seven-step program for eliminating these inadequacies and adapting the systems to present-day defense-production needs.

**PENNY ELIMINATION IN ACCOUNTING RECORDS.** By E. C. Jordan. *The Controller* (1 East 42 Street, New York 17, N. Y.), May, 1952. This is a case report on the savings in time and costs realized by one company that eliminated cents from its accounting records. Through the use of this device the time required to prepare monthly statements was reduced 50 per cent. The author briefly outlines the procedures followed by the company in adopting this measure.

**THE CONTROL FUNCTION OF THE ACCOUNTANT AS AN INDISPENSABLE PART OF MANAGEMENT.** By William J. Vatter. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), June, 1952. Accountancy today has two principal functions: the audit function, which is to review and evaluate; and the control function, which tells management what is going on in its plant and what may happen as a result of any one decision. This article emphasizes the control function, shows how it works, and discusses it in relation both to management and public accounting.

**WHAT YOU SHOULD KNOW ABOUT RENEgotIATION.** By Ross Pancost. *Commerce Magazine* (1 North LaSalle Street, Chicago 2, Ill.), May, 1952. This article presents an authoritative explanation of current renegotiation legislation—how it operates and whom it affects. The author points out that the dollar of excessive profits can be recaptured, but the wasted man-hour, the wasted machine-hour, the wasted kilowatt-hour, and the wasted pound of material are gone forever. It is the purpose of renegotiation not only to recapture excessive profits but to recognize efficient low-cost performance and thus provide an incentive to American industry such as it derives under competitive conditions in more normal times.

**CAN WE LIMIT TAXES TO 25 PER CENT?** By Erwin N. Griswold. *The Atlantic* (8 Arlington Street, Boston 16, Mass.), August, 1952. The author reminds us of the increasing activity on behalf of an amendment to the federal constitution which would place a maximum of 25 per cent on income, estate, and gift taxes imposed by Congress. He examines the proposal in the light of what it would do to our tax structure and economy. Although this proposal at first seems attractive, it is also dangerous, he points out, since to replace lost revenue Congress would almost inevitably make 25 per cent the minimum as well as the maximum rate, thus shifting the tax burden from the rich to the poor.

## Insurance Management

### REDUCING INSURANCE COSTS

**I**F YOU DON'T like your present insurance rate, you can do something about it. You need only get all the facts and then apply some good, old-fashioned American engineering know-how to the problem. This will not only reduce your insurance costs, but what is more important, will provide a safe working environment for your employees, insure the continuous operation of the business, and provide adequate protection for investment.

In considering the factors which affect insurance rates, let us begin by examining the fire rate.

Any fire risk can be divided into four main categories, namely occupancy, construction, protection, and exposure. Let us examine each category individually to determine how we can keep the charges for each to a minimum.

Occupancy features are what start fires. It is the things people do or fail to do which cause the trouble. Consequently our first effort should be directed toward separating sources of ignition from combustible materials. Let's apply this to a specific plant. Is adequate clearance provided between the heat-producing devices and the combustible portions of the structure? Are all sources of flame and sparks eliminated from areas containing flammable vapors? Has the hazard of combustible dust and the explosion pressures it may create in the structure been recognized? The omission of any of these steps is reflected in the insurance rate.

Next let us consider construction. Factors which are important in this respect are the elimination of large undivided areas which make it possible for a fire

to sweep through a building and at the same time make it impossible for the fire department to enter the structure and withstand the onrushing flames. Another and vitally important structural factor is the presence of unprotected vertical openings. This is one of the most deadly defects and is not only responsible for a large proportion of heavy loss fires but is also the number one factor in loss of life by fire. Another important construction factor is the use of structural assemblies which are not only fire resistant but can also prevent the flames from spreading. For example, we all appreciate the wisdom of providing a good incombustible ceiling to protect a wood joist roof. However, if we then apply an acoustical treatment to the ceiling which makes it possible for flame to spread rapidly across its surface, we might just as well have left the roof unprotected. Again, these features will be recognized in the rate make-up.

Next let us look at the third major factor, protection. Here there is no substitute for a good municipal fire department which is well equipped and has adequate water supplies. The next best protection is an automatic sprinkler system, and here is an item which pays off in substantial insurance savings as well as peace of mind. In many businesses it is possible to amortize the cost of the sprinkler installation in a few years with the savings on insurance.

The last factor in the fire rate picture, exposure, is one which is easily controlled. Here again, engineering methods are available to control this hazard with an accompanying reduction in insurance

costs. Fire walls, wired glass windows, water curtains and, of course, most desirable, clear space, can all play a part in bringing this factor under control.

Up to this point we have been discussing factors in the fire rate. Let us now examine what can be done to control the cost of workmen's compensation insurance. First and foremost, a careful analysis of past accidents must be made to discover the weak spots in the plant. These accidents must be analyzed carefully to determine the unsafe physical features involved and especially the unsafe practices. Unsafe physical features are always the results of poor management; we cannot explain away unguarded machinery, slippery walkway surfaces, poor housekeeping, inadequate lighting, and lack of personal protective equipment. Neither can we explain unsafe practices on the part of employees; these, too, stem from poor management. Realization of these basic facts is the toughest hurdle on the road to the reduction of industrial accidents and with it a decrease in the cost of workmen's compensation insurance.

All of the foregoing, pertaining to both fire and accident prevention, sounds like

—JOHN J. AHERN. *Best's Fire and Casualty News*, June, 1952, p. 53:4.

## PUTTING PENSION FUNDS TO WORK

AS PENSION funds grow, there is increasing interest in the ways they are put to work by the investing institutions. Study has shown that investment practices range from placing the entire fund in U. S. Government securities to placing a large percentage in the common stock of the employer. However, in a group of typical pension funds, the following investment pattern might appear: corporation bonds, 30 per cent; government

a formidable job for any plant to tackle by itself. Fortunately, there is ample help available. A telephone call to the local insurance agent will bring one or all of the following aids:

Many agencies maintain trained fire protection and safety engineers who are immediately available to work with an organization. In addition, practically all insurance companies, both fire and casualty, maintain engineering staffs equipped to work on individual problems, and many of these companies also maintain laboratories which analyze unusual problems in each individual risk. The various inspection bureaus are staffed by trained engineers who, as a part of their rating function, are anxious to help protect a plant and obtain the most favorable rate possible. One of their services is to go over with the agent the plans for new buildings or changes in present ones to obtain not only the best rate but the safest plant possible. Other aids are the National Board of Fire Underwriters, Underwriters' Laboratories, Inc., and, last but not least, a number of research organizations which are prepared to help solve any unusual problem encountered in the field of fire protection and safety.

—JOHN J. AHERN. *Best's Fire and Casualty News*, June, 1952, p. 53:4.

bonds, 33 per cent; common stocks, 23 per cent; preferred stocks, 7 per cent; other assets, 7 per cent.

What are some of the characteristics of pension funds which influence investment policy? The following are present in either insured or trustee funds:

1. Disbursements from a pension fund can be predicted with reasonable accuracy. Thus securities need not be purchased with maturity dates earlier than

the time money is needed, minimizing the necessity for liquidation of assets and the risk that such a liquidation might have to be made during a depressed market.

2. Deposits into a pension fund are made at intervals over a long period of time. If they are invested promptly at the current market prices of securities, the investing institution may approximate average market prices over the period and is under no compulsion to "play the market." Also, since the income of the fund is more or less constant, funds are available in cash for current disbursements without disturbing the investment portfolio.

3. Because pension liabilities extend far into the future, it is usually possible to invest a proportion of the funds in long-term securities which tend to yield higher interest rates.

4. Despite the predictable disbursements and regularity of deposits, the total liabilities of a pension fund fluctuate. This is due to unpredictable and uncontrollable variations in: (a) mortality—how long will people live? (b) turnover—how long will people work for the employer? (c) rate of funding—how much money will be put into the fund and when? (d) age of retirements—when will people actually retire? (e) interest earnings—what will be the rate of interest earned on assets of the pension fund?

If the benefits are based upon pay, still another variable is introduced. Total liabilities will change as pay rates change. Some economists believe that an effective hedge against pay change is investment in common stocks because stock prices, like pay levels, tend to increase during periods of inflation and decrease during periods of deflation.

5. Contingency reserves can serve to absorb the impact of the variables mentioned above. The accumulation of such reserves is influenced by both the method of funding and the effect of tax limita-

tions. To a limited extent deposits of more money into the fund than is required and appreciation in the value of fund investments can function as a contingency reserve. Excess deposits are feasible up to the amount that is deductible for tax purposes when there is less money in the fund than is needed to meet the liabilities. Such excess deposits may also offset decreases in the value of fund assets.

6. The age of a pension fund may influence investment policy.

All these characteristics apply to any type of pension fund. However, there are specific features in some plans that may add further considerations—for example, in plans to which the employee as well as the employer contributes and the former can withdraw his contributions on demand; in plans to which only the employer contributes but which provide that the employee can make withdrawals under certain conditions; and in plans which permit the employee to borrow money.

Another problem is how to value fund assets from year to year. No general conclusion has been reached as to the best method, but here are some questions which often arise. Should the value be the price at which the security was purchased? Should it be the market price of the security or the amortized value? If the market price is to be used, should it be the market price at the end of the year, or the average market price for the year, or for a certain part of the year? Is it better to use average prices or median prices? The answers differ for different types of securities.

Taxes on money as it is deposited in funds and the size of funds in relation to the liabilities are still further considerations.

Some institutions responsible for the investment of pension funds use what is called the "balanced fund" principle. This means that the percentage of the fund

invested in equities and the percentage invested in fixed-income securities remain relatively constant. As market prices of securities fluctuate, sales or purchases are made to maintain the predetermined "balance." However, even in these situations the ratio between stocks and bonds may be changed whenever general economic conditions make it seem advisable.

Obviously, there are no so-called investment policy "patterns." Nevertheless, a few general conclusions are possible: (1) At the present time there is wide latitude for differences in judgment in the investment of pension funds. (2) A pension

plan will cost a company the benefits paid, plus administration expenses, less the contributions, if any, of employees, and less the net earnings of the fund; gains or losses from the sale of assets will be either added to or subtracted from the total. (3) The ultimate cost of a pension plan will be paid by those who maintain the plan—the employers and/or employees—no one else. (4) The method of funding and the investment policy should be determined, at least in part, by the extent to which the funds will be supervised and managed by men qualified through training and experience to do the job.

—*For Your Information* (Edwin Shields Hewitt and Associates, Libertyville, Ill.), April-May, 1952, p. 2:3.

### **The Trend Toward Selective Retirement**

LOSS OF PRODUCTION resulting from retiring employees at age 65 now exceed \$3 $\frac{1}{4}$  billion a year. Universal compulsory retirement would bring this economic loss to American production to about \$12 billion. These figures were presented by Professor Sumner H. Slichter, of Harvard, at a conference recently held under the joint sponsorship of the McGregor Fund and the National Committee on the Aging of the National Social Welfare Assembly.

The conference reflected a growing tendency on the part of both labor and management to discard chronological age as the sole basis for the retirement of older workers. Although the Federal Security Law and most industrial pension systems provide for retirement at age 65, it was felt that selective retirement was the more valid approach.

Relatively few industries have adopted any type of selective retirement, although many business firms have instituted elaborate programs to prepare workers for retirement. Problem areas to be explored before voluntary retirement plans can become widely adopted include labor union seniority, adequacy of medical and psychological examinations, and methods of encouraging older people to relinquish their jobs to younger persons in times of depression.

—*Council News* (Research Council for Economic Security, 111 West Jackson Blvd., Chicago 4, Ill.) 4/52

### **AMA FALL INSURANCE CONFERENCE**

*The Fall Insurance Conference of the American Management Association will be held on Thursday and Friday, November 13-14, at The Drake Hotel, Chicago.*

## EXECUTIVES NEED PENSIONS, TOO

A DISCUSSION of executive pensions must recognize that there are several justifications for such pensions. The first, and most obvious, is the need to provide a retirement income for executives. Not quite so obvious a justification is the fact that a properly designed plan constitutes a very effective and desirable supplement to the compensation paid in other forms. And frequently lost sight of is the fact that such a plan is of material advantage to the employing company and its stockholders, since it encourages the executive who has passed his most effective years to retire.

In addition to these factors there is another reason why it is advantageous to have an approved pension plan for executives. It is apparent that it is more economical for the employer to provide the necessary retirement benefits for the executive than it is to attempt to deliver to the executive the funds that will enable him personally to create the benefit. Therefore, a plan which is approved by the Federal Government as a tax deductible in the corporate operations and which does not give rise to income currently reportable in the tax return of the executive is most effective. Only through plans approved under section 165 (a) of the Revenue Code can such results be accomplished.

In all other approaches to the problem of increasing the compensation of executives we find that the program is dependent upon the earnings of the corporation at some date well in the future, or that the executive is currently subjected to taxes at the highest rates to which his income is exposed, or that there is a loss or long deferral of tax deductions to the employing corporation. Frequently it is also true that procedures not approved under section 165 (a), which relieves the

executive from current taxation, also deprive him of a guarantee of performance.

You will probably decide for these and other reasons that it would be good business to have an approved pension plan. That decision must, however, contemplate a permanent plan. You cannot start it with the thought of abandoning it quickly if you do not like it. If you begin with such a thought you will probably find yourself in a position comparable to that of the man who bought the new boomerang and lost his mind attempting to throw the old one away.

Having decided to benefit from such a plan, you will want to know how to make it work. In my opinion, two principles overshadow all others. The first of these is that the amount of the benefit must be adequate for the retirement needs of the executive. The second is that few exceptions should be made to a rule prohibiting the deferral of executive pensions beyond the normal retirement date.

At the executive level a pension of 35 or 40 per cent of total pay would probably be typical of most of the so-called "good plans" of the country. Such a benefit will not by itself permit the same standard of living as could be supported while the individual was on the active payroll, but it will enable a retired executive to be certain of income sufficient to insure a good standard of living. Reducing the amount of the ultimate pension to a figure of less than 35 per cent will make it difficult to retire an individual when his retirement date rolls around, and one of the values to be obtained from a retirement plan is the prompt retirement of covered individuals when they are no longer able to keep their traces taut. What then is the condition as it exists today? Companies in

general fall into three categories: those having adequate plans, those having no plans, and those having inadequate plans. The inadequacy in plans arises from four principal sources: First, the pensions are determined by formulas which are bound to produce modest incomes; second, low limits have been applied to the maximum pensions that can be produced for any participant, and this limitation works hardest against the interests of executives; third, certain earnings are omitted from the base for the determination of pensions; fourth, the results of the inflationary spiral are not corrected.

Companies have been taking definite steps to correct this situation, though such action has been arrested by the limitations of Wage and Salary Stabilization. The thin formulas are being improved. A large number of companies have removed or substantially increased the limits of maximum pensions. Bonuses are being included in the base for the determination of pensions, though this will generally

require that they be included on the basis of a moving average. The correction of inflation has been accomplished in some instances by giving further recognition to past service, with past service being looked upon as all service prior to the date of change, and in other instances by basing the benefit on an approximation of the final rate of pay.

How important is this whole matter of providing extra compensation for executives? Many companies have been made aware of its importance by the interest displayed in the presence and provisions of funded pension plans by persons being employed for executive positions. As might be expected, it has been the companies who did not have funded plans and who thereby failed in their solicitation of executive talent who are in the best position to evaluate their importance.

To serve the best interests of your corporations and at the same time to compensate your executives effectively, provide good pensions for your executives. Executives need pensions, too!

—From an address by J. H. SHREINER before the 1952 Eastern Spring Conference of the Controllers Institute of America.

### **Flood Insurance: Can It Work?**

IN THE PAST, practically no insurance company has written policies specifically against floods. Nevertheless, last year's flood catastrophe in the Kansas City area prompted the industry to take another look at providing insurance on a self-supporting basis. The stock companies made their survey through the Insurance Executives Association, an industry group that considers long-range problems. The survey confirmed the traditional insurance attitude: The ordinary rules of underwriting don't apply to floods.

In the first place, in the case of floods, the areas of potential damage are far more restricted than in the case of other natural catastrophes—windstorms, hail, and lightning, for example—and the damage is far more widespread and intense. Nobody would buy flood insurance except in the localities where floods are prevalent, and insurance companies would suffer from what they call "adverse selection." The most profitable business—that entailing the least risk—would be the hardest to get.

Furthermore, for purposes of flood insurance, properties can't be grouped in broad classes as they are, for instance, in fire insurance, where nearly all are equally exposed. To work out premiums that would let insurers break even, the com-

panies would have to study the relative exposure of any given property to flood damage: its elevation above water level, its nearness to streams or lakes that flood. Insurance men feel this would require a hydrological survey of each river basin, lake watershed, and coastal flat, which would add a terrific expense to the already high premium.

This brings us to the third difficulty—premiums. To figure what rate an insurance company or government agency would have to charge annually in order to break even, the engineers set up a way of estimating "average annual flood loss." This takes into account: (1) the probability of future floods and their intensity; (2) an estimate of how much property would be damaged by a flood of any given intensity. Once the average annual loss for a given property has been figured—and it might be as high as 8 per cent of maximum probable loss—a rate can be set. Thus, if the maximum probable loss were \$10,000, the annual rate would be \$800! This 8 per cent figure isn't an exaggerated example. The engineering study shows that in 17 residential properties at Martin's Ferry, Ohio, the over-all average loss was 11.8 per cent. Though individual rates would vary widely, it's pretty certain that many property owners wouldn't be able to afford such premiums.

There's one final, tremendous reason insurance companies couldn't handle flood insurance on their own hook. At Lowell, Mass., the average annual loss on 54 properties was fairly low—3.3 per cent. If all 54 were insured, the annual premium would be \$127,584 for estimated losses (plus the expense factor). However, the maximum probable loss would be more than \$3.8-million. It would take almost 30 years without any losses to accumulate a reserve fund equal to the maximum loss "which might occur any year and could happen several times during this 30-year period."

—*Business Week* 6/14/52

### **Auto Liability—It's the Underwriter Who Pays**

THE AUTOMOBILE LIABILITY insurance business is in a sad state, William Leslie, general manager of the National Bureau of Casualty Underwriters, declared recently. On the basis of actual reported underwriting figures of 35 leading stock carriers, he showed that there was a net loss of \$11 on every \$100 of earned premiums for bodily injury and property damage combined. Property damage was even more unprofitable (\$13 net loss) than bodily injury (\$9 net loss). On an industrywide basis, the underwriting loss on these lines for stock companies was \$100 million in 1951 alone and \$200 million for the period 1946 to 1951, inclusive. For bodily injury, the average paid claim amounted to about 70 per cent more in 1951 than in 1941. The comparable figure for property damage is 150 per cent. A study in one state showed that not only had the proportion of plaintiffs in liability suits who recovered damages increased between 1940 and 1950, but that that average judgment for the plaintiff had increased 94 per cent.

—*Best's Insurance News* 6/52

### **Group Insurance and Group Annuity Coverage—1951**

THE TOTAL 1951 PREMIUM INCOME of all life, accident and health, and casualty companies in the United States from group insurance and group annuity coverage amounted to \$2,262,200,000. The annual survey of group insurance by the Life Insurance Association of America showed that for the first time on record premiums from this type of coverage were larger than from any other.

The number of people covered by insurance companies under different types of voluntary health insurance plans also increased greatly during 1951. Insurance against loss of income resulting from disability protected 17,992,000 at the end of

1951. Outstanding policies provided a total coverage of \$423,800.00. And, in addition to the persons protected against hospital, surgical, and medical expense by group insurance, many millions were covered by the individual accident and health policies of insurance companies and by Blue Cross, Blue Shield, and other organizations.

At the close of 1951, there were 21,011,000 persons covered by \$54,293,200,000 of group life insurance under 61,450 master policies. Group creditor's life insurance was extended to 9,077,000 persons under 11,550 master policies, the amount in force being \$3,585,800,000.

Wholesale life insurance declined slightly in coverage as compared with 1950. There were 277,000 individuals covered with \$552,400,000 of such insurance. The decline is probably due to the tendency of group insurance contracts to be written covering smaller employee units than in the past.

—*The Spectator* 7/52

## Also Recommended • • •

**THE AUTOMOBILE ACCIDENT PROBLEM.** By H. E. Curry. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), June, 1952. The number of people killed annually in automobile accidents is nearly 2 1/3 times the number killed in Korea. The author examines the causes for such accidents and suggests ways of eliminating them. Setting higher standards for licensing and imposing more stringent penalties for traffic violations, in his opinion, are the most important steps, and compulsory accident insurance, which he evaluates, should be used only to supplement them.

**1952 ANALYSIS OF HOSPITAL EXPENSE INSURANCE.** By Robert W. Carey. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), July 9, 1952. This article presents the outstanding features of a survey recently conducted among life and casualty companies to determine important developments and trends in the writing of individual and family hospital insurance. Probationary periods, daily benefit limits, surgical provisions, premiums, exclusions, and claims are among the points covered. One fact brought out by the survey is that maximum daily hospital benefits have almost doubled since 1940.

**TRENDS IN COMPENSATION ATTITUDES.** By Noel S. Symons. *The Acoustical Spectrum, In-service Course Proceedings No. 38.* (School of Public Health, University of Michigan, Ann Arbor, Mich.), February, 1952. This article reviews court decisions involving workmen's compensation for occupational deafness, and discusses the medical and legal problems

still unsolved by these rulings. Particular attention is directed to the New York law which provides that while the worker whose hearing has been impaired on the job can obtain no award as long as he is working and earning full wages, he is ultimately entitled to receive an award at a time when his economic need becomes greater than it is now.

**STOCKHOLDERS' INSURANCE PROVIDES NEW SAFEGUARD.** By Tower Belt. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1952. If, as the result of a catastrophe, a judgment which exceeds the amount of liability insurance plus the assets of the corporation is obtained against a firm, the insurance will be used to satisfy the creditors and the shareholders will stand to lose their investment. A new type of liability insurance has been developed, however, which provides protection to stockholders for the net worth of their holdings. This article explains how this insurance works.

**A COMMISSIONER ADVISES CARE.** By W. Ellery Allyn. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), May 31, 1952. The author discusses those problems facing the insurance industry today which are making insurance buying increasingly complex. He urges insurance buyers to plan their programs with due regard for the problems and pitfalls of the business they represent and to keep fully informed of the liability laws of their states. As an additional precaution, the buyer should analyze the insurance company's financial statement to be certain that the firm is being operated on a sound basis.

## Survey of Books for Executives

### THE AMERICAN COLLEGE GRADUATE: A PROFILE AND AN APPRAISAL

**THEY WENT TO COLLEGE.** By Ernest Havemann and Patricia Salter West. Harcourt, Brace and Company, New York, 1952. 277 pages. \$4.00.

*Reviewed by James M. Black\**

Here is a merrily and interestingly written book that makes statistics come as alive as a college cheerleader. And if you went to "Dear Old State" some years back, and want to know whether or not you are shooting the course of your later career in par, this is a book for you. The authors based their volume on a survey of U. S. college graduates made by *Time* and analyzed by Columbia University's Bureau of Applied Research. The jacket of the book describes it as a "milestone book: the most complete study yet published of the college graduate in America—what college has done for him and to him—and what he . . . has done and failed to do for America." Blurb writers for dust jackets are not given to understatement, but we won't quarrel with this description. For certainly this book is the most complete of its kind that we have ever seen; in fact, it is the only such work. And the statistical picture that it paints of the habits and habitats of the alumni of U. S. universities is revealing.

There are 6,000,000 college graduates at large in the country today. Add to this figure 2,000,000 undergraduates and you come up with the grand total of the cast of characters about whom this book is written. Naturally this total is increasing every day. There are 1,301 colleges, universities, professional schools, and technical schools scattered throughout America—about as many as in the rest of the world combined. So it is not surprising that the college degree is commonplace, and rapidly becoming considered a prerequisite for many jobs and careers.

\* Director of Public Relations, The Associated Industries of Cleveland.

The *Time* survey was made with the help of 1,037 colleges and was based on information secured from about 9,064 of their graduates. The results substantiate many ideas previously held of the college man, and explode many myths. So if you want to know what happened to the Greasy Grind, the All-Around Student, the Big Man on the Campus, and the fellow who just attended school with you, Mr. Havemann and Miss West can give you the answers.

Let's take a look at some of their findings: The college graduate is more than likely an Easterner. Fewer come from the South than any other section. Moreover, he is probably a small city or village boy; these localities contribute the most, farms the least. And it is an odds-in-your-favor bet that his parents went to college. But, unlike them, the chances are that he worked his way through school either wholly or in part. That's true of 71 per cent of college alumni. Of course, it should be pointed out that the high cost of living and high taxes make it difficult for the average family to support an offspring at college. Moreover, jobs are fairly easy to find at present, and the government, too, will lend a hand, so it is not as hard to "work your way through" as it was in Dad's day.

Strictly from a materialistic point of view, the struggle to win a degree, if it can be called that, is worth it, for college graduates hold the best jobs in later life, and have positions of greatest prestige. By worldly standards they make good, at least comparatively speaking. For example, the degree holder normally earns more money during the very first year of his business life than the average man makes at the peak income years. It is among the older group (the fifty-plus people) that you will find the best incomes. This is in sharp contrast to the situation of non-college persons. There the older group is losing ground, and fast, to the younger folk in re-

spect to income. Yes, job for job, town for town, age for age, you get the financial "breaks" if you have a degree. And a doctor or a lawyer stands the best chance of being a big money maker. Clergymen and teachers trail the crowd.

College and marriage apparently go hand in hand—at least for men. Not only do university graduates marry more frequently than anybody else, but they are likely to stay married. The higher a man's income, the truer this statement becomes. Size of family is also in proportion to the breadwinner's paycheck. The more money a college man has, the more children you will find around his house.

The foregoing applies to men. For girls college is hardly a matrimonial bureau. In fact, ladies who plan to get married should shun college like the plague. Apparently, it is an education for spinsterhood, particularly if they "earn" their way through. But, then, maybe it's their own fault. Perhaps they are too "choosy." Strangely enough there seems to be some correlation between married prospects and religion. The report shows that Jewish coeds are more likely to wed than anyone else, Catholics least likely. But the idea that men shy away from the brainy women is a myth. The study shows that the gal with the high I.Q. is at no disadvantage in the matrimonial sweepstakes. She is as likely to marry as her slower-on-the-uptake sister. However, from an earning standpoint the career girls don't stand a chance with the men, probably because most of them go into such low-paying professions as teaching. One more thing, girls! If you try for a home plus career setup, you are likely to take your lumps. You will have less money, do more work, and have little time for relaxation, or so say the authors.

In the past two decades colleges have been frequently looked upon by the rest of the public as breeding grounds for radical ideologies. The left-wing college professor with his cant of Keynes is often accused of being a corrupter of youth and an underminer of the free enterprise system. Tain't so! His remarks are evidently falling on deaf ears, for the university grad, with the exception of the very young, is a conservative, almost a Bab-bitt! He is an internationalist, and probably tolerant in race relations. Moreover, there

is little evidence that college undercuts religion, particularly among Catholics and Protestants. But among the Jewish college alumni the proportion of people who have broken with their faith is comparatively high.

Politically, the American college graduate is likely to be a Republican. The G.O.P. alumni outnumber the Democrats 3 to 2. And the older the college man gets the greater is the chance he votes Republican. However, the tendency of the son to vote like his father is found even among college people. What switching is done is likely to favor the Republicans. Still, college people avoid politics, at least professionally. While they vote, and are conscientious about it, they don't throw their weight around in party conventions as much as one would expect from their position. They leave politics to the "pols."

"Was it worth it—college, that is?" "Yes," say the graduates. If they had it to do all over again they would. Of course, some would change their courses, and perhaps "specialize" where they "generalized" if the opportunity for a repeat performance were offered. But they are loyal to their universities. And they think they got their money's worth.

And speaking of specialization as compared to the liberal arts A.B., if it's money you are after, pick the former. The specialist earns more. However, the marks you make have little to do with your earning power later on, or not very much. The Phi Beta Kappa is likely to go into teaching, a low-paid career, and thus eliminate himself from the chase for the dollar. The straight-A student has a better chance than anyone else of being a campus leader, and he does tend to enter the professions; if he becomes a lawyer or doctor he may do a little better financially than his competitors. But the survey shows that "leadership" in college is no guarantee of leadership in later life. However, from a strictly dollar point of view, the boy who puts himself through school is not in the running with the fellow who went on his family's income. The latter gets better jobs, makes more money, and has greater influence. This is a slap in the face to Horatio Alger, but it is nevertheless true.

Speaking of money and success, if you want them, go to Princeton, Yale or Harvard. Grad-

uates of these schools wind up at the top of the financial tree. Following them are the other Ivy League schools. Then come the state universities, a poor third. So where you go to attend your class reunion makes a big difference insofar as your earning power is concerned.

Formerly the college degree was a badge of social superiority. But not today. Times are changing. University graduates do not necessarily come from privileged families, and an A.B. is hardly a guarantee of social background. But it is still true that the graduates of the best universities are the most satisfied with their schools. When college alumni were asked if they had it to do over again, would they go back to their Alma Mater, more than 75 per cent said, "Yes!" The dissatisfied element went to the "poorest" colleges. But it should also be pointed out that high grades and customer satisfaction seem to go together like Sears and Roebuck. The boys and girls who played around and spent much of their time on extra-curricular activities are the ones who moan the most today about wasted opportunities.

One more thing about colleges. They are pretty good travel bureaus. For they scatter their graduates from one end of the country to the other. The university man has little fear of "pulling up stakes" and going somewhere else to start his career; in fact, he frequently expects to. So the chance is if you have a college degree you are no longer living in your boyhood home town.

What do college alumni think of their old professors? Well, they don't remember them as a collection of Mr. Chisips. The quality of college teaching is often criticized. The most common complaint is the lack of guidance or advice. By devoting insufficient thought to the quality and the inspiration of teaching, and especially by failing to provide advice, guidance, and some rounded explanation of the curriculum, colleges are succeeding least with the type of students they should help the most. Or that's the opinion of many of their alumni. But then maybe that's not the fault of the colleges. Perhaps, as the authors observe, the only thing wrong with college education is that, like youth, it is wasted on the young.

**THE FUNDAMENTALS OF TOP MANAGEMENT.** By Ralph Currier Davis. Harper & Brothers, New York, 1952. 825 pages. \$6.00.

*Reviewed by H. Frederick Willkie*

Although the American public admires business executives as managerial mechanics—regards them with some awe as industrial wizards—it has lacked confidence in their abilities as economic leaders. In fact, in this latter area, executives are generally disqualified because of a common belief that they are guided by occult nefarious motives.

This suspicion, which is something of a menace to democracy and to free enterprise, is due partly to the lack of a management philosophy that is generally known, understood, and accepted by executives and the public. In *The Fundamentals of Top Management*, Ralph Currier Davis sets out to lay the foundations of such a philosophy and has, it seems to me, succeeded. Examining at length the logical basis for virtually every conceivable executive decision, exploring systematically the implications of each management action, he ends with a work that is practically encyclopedic. This book could well be called a management manual containing "the best thought of business leaders, past and present."

Management begins, says the author, with business objectives. From objectives are derived functions; from functions are derived responsibility and, from responsibility, authority. The organization of the book is based on this logical relationship, with the earlier chapters largely devoted to business objectives, functions, responsibility, and authority in that order. The rest of the book, in the main, elaborates on special matters touched upon previously: line organization, staff organization, attributes of good organization, morale, etc. Inasmuch as most management literature, after a few words about the Industrial Revolution and its aftermath, launches into subjects like organization, industrial relations, cost determination, and the like, the structure of Mr. Davis's book is unusual. As such, it is strikingly well adapted to what the author is trying to do: to pro-

duce a philosophical treatise rather than just another management text.

The choice of book structure, however, is not entirely advantageous. Frequently, the author finds it difficult to avoid being repetitious. Witness the two chapters on responsibility and authority. Much of what can be said about one may also be said about the other, so that the chapter on authority is in part a repetition of the chapter on responsibility. Moreover, though this book is first-class management philosophy and is as readable as most books in its field, it has some shortcomings as a literary effort. The author's affinity for the simple declarative sentence is rather monotonous, and the reader is at times left grasping for antecedents to pronouns.

But the intelligence and the thoroughness with which Mr. Davis handles his subject matter is impressive. This volume constitutes the most comprehensive presentation of the underlying philosophy of effective management, with detailed development of its application, that this reader has ever had the privilege of reading. It is particularly timely as our American industry is being called upon to produce—at a rate far beyond our past comprehension of its potential—for peace or for war in a rapidly changing world.

**GREATER PRODUCTION: Its Problems and Possibilities, Including a Full Treatment of Incentives.** By Walter Scott. Published by The Law Book Company of Australasia Pty. Ltd., Sydney, Australia, 1950, and available from The Carswell Co., Ltd., Toronto, Canada. 712 pages. £3 10 s, Australian currency (approximately \$8.00).

*Reviewed by T. North Whitehead\**

An important volume on this subject by a well-known Australian consultant can hardly fail to be of interest. The reviewer knows of no other work of comparable scope devoted to greater production from the standpoint of managerial responsibility for policy and administration, as distinct from a scientific and technical engineering approach. As the dust

\* Director, Management Training Program, Radcliffe College.

cover correctly states, this is an unbiased treatment for the employer, the employee, and the trade union.

This work of over a quarter of a million words is divided into three main parts: "The Problems of Greater Production"; "The Possibilities of Greater Production"; and, finally, "Financial Incentives." An exceptionally wide range of topics is considered and it would be quite beyond the scope of this review even to list them. As an example, there are nine main subheadings in Part One alone, each broken down into a number of smaller sections. It is an outstanding merit of this work that the author recognizes the breadth and complexity of his chosen subject, ranging all the way from public relations, through management-union relations, to the internal organization of a company.

The author combines practical experience and an unusual familiarity with the relevant literature. Over a thousand quotations are given from books, periodicals, and addresses from American, Australian, English, and some French sources. Nearly every topic is further expanded by the author, in a common-sense manner, to an extent which almost deprives the reader of any need for thought. This very wealth of sensible and sometimes commonplace opinions and explanations by the author and others may account for a certain lack of focus and depth of insight evident throughout the volume.

Perhaps the most important message which Mr. Scott establishes is the overriding responsibility of management for production, not only in the technical organization of the work but also in matters involving worker morale and union behavior which are sometimes supposed to be the exclusive concern of the workers. The author is to be congratulated on the emphasis he has placed on managerial responsibility and on the real possibility of more effective leadership from this quarter. To judge from incidental remarks throughout the book, this need is better understood in America than among many executives in Australia. Indeed, one gets the impression that the whole art of management and of business leadership in Australia is lagging as compared with present-day practice in the United States.

Anyone reading this volume can hardly fail to realize the great number of different directions in which management could promote greater production by improving its own practices. In fact, the possibilities seem so numerous as to be quite overwhelming—business executives do not usually suffer from underwork!

It is true that a general improvement in the level of management must express itself in innumerable improvements of detail, and many of these have been spelled out at great length. But an advance all along the line can only be expected as a result of a new, more sharply focused conception of the over-all purpose and responsibilities of management; given such a conception, the details will fall into place. This, the reviewer believes, is precisely what has been happening in American business over the last decade or two with most encouraging results, and an insistence on a broadly conceived viewpoint is strongly marked in many of the utterances of leading business men and in the professional literature of this country; it is nowhere more evident than in the work and the publications of the AMA. The book under review would be more easy to read, and to apply, if the author had gone further in developing a broad conceptual framework, or point of view, within which the wealth of detail could be organized and digested.

Despite constant references to American practices, the book is written for Australian business, and in places the discussion is not altogether in line with the American scene.

**UNION LEADERSHIP TRAINING.** By A. A. Liveright. Harper & Brothers, New York, 1951. 265 pages. \$3.50.

*Reviewed by Hubert Clay\**

Rarely does one encounter a book in the personnel field which attains its purpose as effectively as this one. It is designed as a handbook of tools and techniques, and the design is followed in a refreshing and concise way. No words are wasted. The author gets to the point and stays there!

\* Psychologist, Employee Relations Division, The B. F. Goodrich Company, Akron, Ohio.

Here is an excellent example of the results which can be obtained when social science is applied to the concrete problems of leadership development. It is fortunate indeed that the book does not restrict itself entirely to training within unions. The subject matter has a much wider range of application.

Much of the book's effectiveness is undoubtedly due to the fact that it consists of first-hand observations and experiences of the author. Since 1948 Liveright has been director of the Union Leadership Training Project of the Industrial Relations Center, University of Chicago. He has participated in and conducted many educational programs for union leaders. He has tried and compared the various techniques and is adept at summarizing the advantages and disadvantages of each one. Like the accomplished speaker who illustrates his talk with specific examples, the author drives home his techniques by showing them in action.

Several features of the book particularly impressed this reviewer: (1) the stress on defining the goals of a particular training program; (2) the stress on measuring the results (possible only when specific goals are established); (3) the objective reporting of pros and cons regarding each technique.

Two well-organized tables contain a wealth of information. The first table lists major program goals together with specific courses and appropriate techniques for best achieving the goals. The second table lists tools and techniques together with the advantages and disadvantages of each. Goals, for example, may vary from those which provide facts to those which attempt to broaden attitudes or stimulate action. Techniques include lectures, debates, forums, panels, reading, charts, graphs, tables, diagrams and cartoons, films, filmstrips, wire and tape recordings, discussion, role playing, skits, group singing, and sub-discussion groups.

The choice of techniques in relation to one's goal is well illustrated by the following: "One-way communication—where, for example, a lecturer or a film provides facts—may be a good way to increase the information a person or a group has. It may even be the quickest and best means of getting a point

across. But if your objective is to develop understanding, improve skill in analyzing problems, change attitudes, or stimulate action, one-way communication will not fill the bill. Here you need tools that encourage a group to examine, discuss, question, add to and build on an idea or concept—two-way communication."

One great advantage of the book is that the reader is much more able to evaluate a given technique in proper perspective than if he reads a book or pamphlet on a single technique alone.

The emphasis on the use of a variety of techniques throughout a series of meetings is good. In fact, it is evident that the author is keenly aware of the kinds of atmosphere most conducive to learning, although he never writes in such terms.

His realistic, down-to-earth approach extends even to an appraisal of the value of bull sessions in the learning process. Bull sessions must be spontaneous and can't be planned, comments the author sagely, but programs can be so planned as to encourage such sessions.

Those who wish to keep abreast of new thinking in the field of leadership training cannot afford to miss this book.

**READINGS IN PERSONNEL ADMINISTRATION.** By Paul Pigors and Charles A. Myers. McGraw-Hill Book Company, Inc., New York, 1952. 477 pages. \$4.50.

*Reviewed by Marvin Bower\**

This generous volume offers a rich diet developed from the best writings of practitioners in personnel administration and spiced with articles by social scientists, psychiatrists, and educators.

Through a process of delving into textbooks and professional journals, the authors—both members of the faculty of Massachusetts Institute of Technology—have brought together a well-organized collection of valuable discussions of most aspects of personnel administration, including a number of real nuggets. A reason in itself for owning the book is the inclusion of that classic discussion of the "twelve essential ingredients of sound personnel administration" by Thomas G.

\* Partner, McKinsey & Company, New York.

Spates, formerly vice president for personnel administration of General Foods Corporation and now professor of personnel administration at Yale University.

Among the other outstanding contributions are "The Staff Function in Human Relations," by Douglas McGregor (President of Antioch College); "The Counseling Interview," by Leonard E. Himler, M.D. (Professor of Mental Health, University of Michigan); "Essentials of a Management Personnel Policy," by Lawrence A. Appley (President of American Management Association); "The Foreman: Master and Victim of Double Talk," by F. J. Roethlisberger (Professor of Human Relations, Harvard Business School); and "Improving Supervision Through Training," by Norman R. F. Maier (Professor of Psychology, University of Michigan). The reader will be well rewarded even if he confines himself to these outstanding selections.

But the book does much more than high-spot the field of personnel administration. The selections provide a comprehensive and well-planned examination of virtually the entire field. And, since each of the authors is digging deeply into his specialized phase of the field, the reader is constantly impressed with the authoritativeness of the material. This is one of the advantages of this type of book.

However, the reader pays a price for depth and authoritativeness: some of the authors are so well qualified and so intensely interested in their subjects that their articles might more appropriately be termed "studies" rather than "readings." This is not a serious shortcoming. Many of the selections are searching and stimulating; most are quite readable! Moreover, no one is required to read all the selections in order to get continuity. In fact, even a skimming of this collection will serve personnel administrators and general executives well.

In view of some current interests in the so-called Scanlon Plan, the reader should be put on notice as to the objectivity of the article, "A Case History of Union-Management Cooperation," by Russell W. Davenport. Mr. Davenport, one of the editors of *Fortune*, has written what is apparently intended simply as a human-interest article—not an objective analysis of the pros and cons of this method for permitting labor to share the results of

increased productivity. Personnel administrators who have studied the Scanlon Plan will recognize that the article omits discussion of the many limitations of the plan. This is the only selection that seems out of place.

So that no executive will question whether these readings are "practical," it should be noted that there are a number of articles by active corporation executives. One of the most important of these is "Organizational Structure and Employee Morale," by James C. Worthy, member of the central personnel staff of Sears, Roebuck & Company. This is an excellent discussion of the reasoning behind and the results of the "flat" type of organizational structure that has been developed in Sears as opposed to the so-called "span of control" principle of modern management theory. This article is clearly another nugget that the authors have mined for the reader.

The book includes three articles on different phases of administration by Alexander R. Heron, vice president in charge of industrial and public relations of Crown Zellerbach Corporation. His contributions give added assurance that in making their selections the authors aimed to keep the readers' mental feet very much on the ground.

This is a book which the active personnel executive would do well to read thoroughly and then keep available for reference and thought stimulation. The general executive can select much from the book that is genuinely helpful in the development of executive talent. In selecting the best writings from the field of personnel administration, the authors employ an approach that might well be more widely used in other fields of management.

**THE ART OF CLEAR THINKING.** By Rudolf Flesch. Harper and Brothers, New York, 1951. 212 pages. \$2.75.

*Reviewed by Donald G. Paterson\**

This is no stodgy book on formal logic. In fact, it blasts formal logic right out of the classroom—or the home or the office. Instead, it brings together, in a refreshing style,

what science can tell us today about thinking and problem-solving.

Personnel directors and vice presidents in charge of industrial relations will welcome this handy guide to clear thinking from the point of view of their own self-improvement. They will welcome it even more if top management directs them to organize training classes on "higher level thinking" for junior executives or for major executives. It would be an admirable text for a series of discussion seminars.

This little book is packed full of facts and ideas about thinking in 21 short chapters. Furthermore, they are set forth in a most interesting and readable form. Flesch practices what he preaches about plain talk.

Space precludes even a brief inventory of the basic notions put forward. In the reviewer's opinion, the heart of the book revolves around "bright ideas"—their nature and how we get them. After a thorough consideration of the sterility of the rules of formal logic and of the limitations of legal rules and evidence, Flesch tells you how not to be bamboozled, how to solve puzzles, and how to apply the principles of the game "Twenty Questions" to problem-solving situations. He then describes the "scientific method" as man's best bet not only for getting bright ideas but, above all, for testing them. This is man's peak achievement in the art of clear thinking.

For personnel men already familiar with Flesch's earlier books on readability† and his formula for measuring readability, there will be an especial interest in his new formula for measuring the level of abstraction, which is given in the appendix. This is an abridgement of the article which he published in the December 1950 issue of *The Journal of Applied Psychology*. Thus we have here a further contribution to one phase of the problem of effective communication in industry.

The reviewer is at a loss to pick out flaws or to indulge in adverse criticism. In short, he commends the book in terms of highest praise.

\* Professor of Psychology and Member of Staff of Industrial Relations Center, University of Minnesota.

† For example, *The Art of Readable Writing*, Harper & Brothers, New York, 1949.

**MANAGEMENT TRAINING: Cases and Principles.** By William J. McLarney. Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Ill., 1952. 358 pages. \$6.65.

*Reviewed by Albert Sobe\**

This is a source book of cases and principles, designed to be used in conference programs of management training, which the author has arranged in four parts: "The Management Team," "Job Management," "Developing the Work Team," and "Maintenance of Teamwork."

It is an excellent source for directors of management training and one that should find application in college courses in this field as well as in industry. The subject material is sufficiently broad to tie in with the needs of management organizations quite generally, even though there may be some variance with accepted practices in specific organizations. When properly used, the book should contribute a great deal to the development of industrial personnel.

There are a total of 267 cases listed. These the author has selected from cases which he personally has used over a period of years in a great variety of industrial and governmental organizations.

This material in general is good. It covers many different situations and includes those common to a wide range of managerial experience. There are a few instances where the basic conditions and their significance as sound applications of management principles might be questioned, but these are the exception rather than the rule. The cases "have been stripped of non-essentials of their background"; thus details can—and in general should—be supplied from existing situations so that the discussion can be applied specifically to the needs of a given organization. While the author indicates that all cases are to be used as the basis for group discussion, some of them are of such a nature that they might well be used by individuals for self-development.

As might be expected, the cases are not of equal value in all subject areas. For example,

the ones in methods improvement are weaker than those in such areas as organization and human relations.

In each of the 18 chapters, the cases are followed by a summary of basic principles that apply in their solution. These principles, in general, are sound and are stated in relatively clear-cut language which should make for ready acceptance by management people. The coverage, however, is somewhat limited—selective rather than inclusive—and, because of variations in operating philosophies, there may be some disagreement on certain statements made.

Since the manual for conference leaders is not available, it is difficult to evaluate fully the author's plan for use of the book as a training program. The recommendation that in using the material with experienced supervisors the cases be discussed prior to a review of the principles is sound, as is also the reverse of that recommendation where groups of novices or college students are concerned.

The book has, of course, certain weaknesses which lessen its potential value as the basis of a direct training program for industrial supervisors. For example, its plan does not provide for elements of program development and variations in training methods essential to full effectiveness in many training situations. It does, however, provide excellent source material for use in such courses, and it should prove a valuable addition to the libraries of men engaged in any phase of management training.

**HOW TO TALK WITH PEOPLE.** By Irving J. Lee. Harper & Brothers, New York, 1952. 176 pages. \$2.50.

*Reviewed by Raymond W. Peters\**

Every veteran meeting-attender is bound to have at least one of three reactions to this book. Either he will put it in his bookcase next to Webster for ready reference. Or, thinking "I wish I'd said that," he will share it with his best friend and go-to-meeting companion. Or more probably, resisting a temp-

\* President Emeritus and Consultant, General Motors Institute, Flint, Mich.

\* Head, Employee Relations Research, Esso Standard Oil Company.

tation to rush it anonymously to a particular person he has more than once bumped up against in a meeting (unfortunately, he is sure), he will treasure it unto himself as an ace up his sleeve, a powerful secret formula to his success in leading or participating in his next conference.

At first glance, this book seems to provide rather elementary advice. But as the author states, his aim is not so much to reveal what is not known as to encourage application of what is known. And he has based his information on authentic study and honest observation. To discover the causes of the troubles that arise when men and women talk together, he has sat in on hundreds of meetings, recording the reactions of one person to another, the whys and wherefores of misunderstanding and disagreement. In line with this experimental scientific approach, he has classified his findings, and added up the results in terms of specific suggestions. At the same time, he has fought off the temptation to put individuals in categories, reiterating his basic if elementary theme that "people are people."

Dr. Lee is first of all an authority in general semantics. But in this book he goes far beyond the science of word meanings. Eliminating the technical jargon of the science, he inquires into what the speaker means, rather than what his words mean. If the author wishes to leave his reader with one main thought to help him in communicating with others, it is that everyone sees things in the light of his own experience, not as they really are, and this knowledge is the key to cooperation and understanding.

Intermingled with Dr. Lee's over-all findings are many accepted facts organized in systematic form. He analyzes and lists reasons a man gets angry in a meeting, classifies types of difficult problems, describes patterns of disagreement, and suggests what to do when contradictions create a gulf. These make *How to Talk with People* a valuable reference work.

Dr. Lee is also a literary man. His book is full of classical references, as well as examples and case studies. It stirs remembrances. It tallies with one's own past experiences. Presented in a friendly and easy style, the points

are well documented with examples which are entertaining as well as thought-provoking. It is impossible not to recognize a colleague or an adversary here and there among them, and this makes the book an experience to be shared with one's best friend.

As keys to personal success, many of Dr. Lee's reminders (rather than revelations) have a kind of value suggestive of Dale Carnegie. "If one could only remember these points, it would be simple to get along well with people," the reader thinks, or "Don't I wish I could show this to old so and so. It describes him to a T."

Probably most important from the executive's point of view are the arguments for and against meetings, their evaluation in terms of the firm's progress. However, most important from a human relations point of view is the author's sincere effort to encourage attitudes of patience, respect, and understanding so that society can continue peacefully even though men agree to disagree.

*How to Talk with People* should be of major value not only to executives and human relations practitioners but to everyone who "talks with people"—and who doesn't?

**THE CHANGING CULTURE OF A FACTORY.** By Elliott Jaques. The Dryden Press, New York, 1952. 341 pages. \$4.25.

*Reviewed by Nathaniel Cantor\**

The Glacier Metal Company, employing 1,800 people, with plants in London, Scotland, Manchester, and Glasgow, was founded in 1899. In the course of 50 years it underwent many changes in the range of its products, administrative practices, and organizational development. From its beginnings as a small metallurgical works it expanded, after 1935, into an engineering plant. The technological developments outstripped its administrative organization, which had developed in a haphazard way.

The managing director, one of the owners, retired in 1938 and was replaced by two co-managing directors, one a production man of long experience and the other a sales man-

\* University of Buffalo.

ager interested in administrative matters. They differed radically in technical and social outlook. In 1939 the production director resigned, but the line managers feared the influence of the specialists who supported the sole managing director.

In addition to being the executive leader of the London factory, the managing director was in charge of the newly formed plants outside London. He possessed multiple functions. No one was clear about the roles, duties, and responsibilities of functional managers and executive managers. There was no clearly defined executive system. Authority and responsibility were so divided that no one was quite certain of the role he occupied or the power he possessed.

The management of the Glacier Metal Company felt that the consensus on the part of everyone involved in a decision should be obtained wherever and whenever possible. Because of this known attitude of progressive management, the well-known Tavistock Institute of Human Relations of London approached the firm in April 1948 with a design to study and develop methods for creating satisfactory group relations. Study began in July 1948 and continued for three years. This volume is a report of that study.

It would be foolhardy and unfair to the research team to attempt to cover the entire study fully in the space allotted to a book review. Three years of change are described, and an analysis of the changes are made. The team worked with the Service Department, the Works Council (composed of management and elected representatives of all sections of the factory and offices), the Works Committee (factory-wide committee of shop stewards), the Superintendents' Committee, and the Divisional Managers' Meeting (top management and executive leaders).

Another way to describe a study of satisfactory group relations is to discuss the problems of communication in a factory, and this is precisely what Dr. Jaques' volume does. The reviewer considers it a most outstanding contribution to the problems of communication in an industrial setting. Here is a demonstration of high order of the value of social science for industry. The research

team, directed by Dr. Jaques, has full command of the literature of social theory and therapy. Its members know the meaning of scientific research and understand the techniques of cooperating with clients who want a practical job done. The study illustrates, too, that the wider the theory the more illuminated is the practice. Every major step that was taken in the research, from waiting to be invited by a group before working with it to declining dinner meetings of one of the groups so as to avoid personal involvements and raising the suspicion of taking sides, was dictated by theoretical considerations. The members of the team were aware of what they were doing all the time.

Through group meetings and personal interviews the factors underlying resistances to communication were discovered. The leaders or observers of the team never took sides and never told the members of the groups what to do. They were prepared to help the participants articulate their confusions and crystallize inchoate feeling. The initiative for calling, continuing, or terminating meetings and projects rested solely with the groups involved. The participants were compelled to live through the sometimes painful experience of self-discovery of their "unconscious" motivations—the quest for prestige, power, anxiety, jealousy, fear, loss of status, "scapegoating."

The problems of communication were complicated by the relations of management and workers' representatives to trade-union policies within and without the plants, by the expectations of industry and trade unions which prevail in the general culture, and by the sentiments and traditions of management and workers in relation to one another.

The last four chapters of the study deal with an analysis of change. The interrelations between personality, culture, and social structure as they manifest themselves in the actual organization of the Glacier Company are described and illuminated. The sanctioning and operation of authority from the top down and from the bottom up are clearly shown along with the tensions and sources of stress and the ways in which anxieties are dealt with.

The research team does not make any generalization regarding other factory organization. Anyone, however, who is critically aware of sociology, clinical psychology, and group relations and has had considerable experience in industrial organizations will recognize the similarity of the problems.

*The Changing Culture of a Factory* is not easy reading. But it is, in this reviewer's considered judgment, one of the most important books to have appeared in the field of industrial sociology. The Dryden Press merits the American reader's gratitude for making it readily available to us.

**TRAINING OF OPERATIVES.** Published by the Anglo-American Council on Productivity, 1951. Available from the Office of Technical Services, Department of Commerce, 801 E Street, N.W., Washington, D.C. 52 pages. 75 cents.

*Reviewed by Alexander Winn\**

This unusually interesting report was written by a team of British specialists who visited the United States to study the problems of training in industry. The study was sponsored by the Anglo-American Council on Productivity. The team, which spent approximately six weeks in the United States and traveled 4,000 miles in seven states, consisted of some 12 men representing industrial management (Employers' Federation), government services (Ministries of Education and Labor), the staff of nationalized industries, and the Trades' Union Congress. It represented a cross-section of those who are greatly concerned with training in industry in Great Britain. The report covers education, vocational guidance, selection, apprenticeship, in-plant training, and a few other features.

For the American reader, perhaps the most stimulating aspect of the report is the insight it gives into the British way of training. Although this was not the purpose of the report, it resulted as a sort of by-product from the desire on the part of the members of the team to approach the study of American training in industry in relation to many other

factors within the structure of American culture. Frequent comparisons are made between American and British conditions so that the findings of the study may be more readily applied to the situation in Britain.

Within the limited scope of their tour and perhaps with the exception of some aspects of apprentice training the members of the Team did not find any very revolutionary methods. . . . Such differences as were noted were usually difficult to define. . . . There were differences of approach, of environment and prosperity, of relationships between employer and employee; in fact they were characteristic of the sort that go to make up the difference between the American and the British ways of life. This quotation reflects the approach which the team used in assessing the findings of its field work.

The team was struck by the apparent discrepancy between the atmosphere in American high schools and the type of industrial worker which these schools appear to graduate.

In industry the Team found itself in an atmosphere of hard work, perseverance, thoroughness, enterprise and efficiency. The personnel were highly competent. . . . In the schools the Team felt that the level of attainment was not high, that there was a lack of well-defined standards and a casual approach by teachers and pupils—nobody was "on his toes." . . . How this produces the dynamic, energetic, able men of industry is the paradox of American education.

While the team is apparently perplexed by this situation, it offers a possible explanation. American education, it observes, is set up to adjust the pupils to present-day life, whereas European secondary schools tend to reflect the traditional classical approach. The team finds that a far greater proportion of high school graduates enter industry in the United States than is the case in Britain, where more are attracted to the professions. Comparing the American and British approach to apprenticeship, the team feels that the American system is much more flexible than the British and better adjusted to productive needs. The American approach offers more possibilities with its freedom for an apprentice to transfer from one employer to another.

The team is conscious of the background against which the American training should be viewed. In all types of training, including more formal education, the eagerness of the

\* Aluminum Company of Canada, Limited, Personnel Department, Montreal.

individual to learn is a basic prerequisite in America; the training is to satisfy both the individual and the organizational needs. Viewed from this angle, the "paradox of American education" is perhaps not quite so perplexing as it may appear at first sight.

As is stated in the introduction to the report, the study covered only a small sample of American industry, and it therefore represents only a sample of American training methods. However, limited though the report may be, it provides interesting reading for both British and American training personnel.

### PRODUCTIVITY, SUPERVISION AND MORALE AMONG RAILROAD WORKERS.

By Daniel Katz, Nathan Maccoby, Gerald Gurin, and Lucretia G. Floor. Survey Research Center, University of Michigan, Ann Arbor, 1951. 61 pages. \$1.50.

*Reviewed by Joseph M. Rich\**

Every book on management, and most writers of articles in business magazines, it seems, have an opinion to offer on the subject of this little volume. The present authors display a heartening desire to suppress their own opinions. They are interested in the measurable relationships between productivity and supervision, and between productivity and group morale. This study of section gangs on the Chesapeake and Ohio Railroad is the second of a series to be published. The first, *Productivity, Supervision and Morale in an Office Situation*,† was conducted at the Prudential Insurance Company. Others, all under Navy sponsorship, will deal with employees of a public utility, a government agency, and an automobile corporation.

In the railroad project a group of known high-producing section gangs was selected by line management, along with a group of known low-producing sections. Data were collected at the work location from the 298 workers and 72 foremen of these gangs. Both company and union leadership encouraged all

concerned to give the interviewers full cooperation.

Most of the questions in the patterned interviews were of the attitude type: "How do you feel about letting the men know ahead of time what they are going to be working on?" (to the foremen) and "How good is the foreman at figuring work out ahead of time?" (to the workers). But the special interest here is in comparing the attitudes of low producers with those of high producers. Most of the significant results deal with supervision.

The first-level supervisor is an important factor in determining the productivity of a work group. . . . The successful supervisor is successful, because he has a different concept of his role and responsibilities, a different set of attitudes toward his employees, and a different approach to people and to their motivation on the job.

The high-producing supervisor appears to regard the attainment of productivity as a problem in motivation and sees his role primarily as one of motivating workers to achieve a goal, of creating conditions under which the goal can be reached. . . . He clearly perceives and accepts the responsibilities of leadership. He spends a larger proportion of his time in actual supervision. The practice of working along with men, doing what they do, rather than concentrating on supervisory and planning activities, is typical of the low-producing supervisor. Similarly, the supervisor who sees productivity exclusively in "machine" terms of work, flow, quotas, and standards is likely to be among the leaders of the lower producers. The high-producing supervisor sees the job in terms of the employees' needs and aspirations; he is employee-oriented, but does not abdicate the leadership position. . . . His men report that he takes a personal interest in them and that he behaves in an understanding, non-punitive fashion when they encounter problems on the job.

Comparisons of this with the earlier Prudential study tend to reinforce the important attitude and behavior differences between supervisors of high-producing and low-producing groups. Contrary to popular belief, differences in employee morale between the high and low groups in each study were not nearly as great as differences in supervision.

Like its predecessor, this little book is undoubtedly a significant milestone along the road to a better knowledge of human motivation in work situations. An accumulation of

\* Training Coordinator, Sharp & Dohme, Philadelphia.

† See "Briefer Book Notes," *MANAGEMENT REVIEW*, April, 1951, p. 251.

similar studies in various organizations will gradually lead to revised principles of supervision. But the present report is in no sense an operating manual. Rather, it presents simply and clearly the findings of a specific research project in human relations.

#### PERSONAL SUPERVISION OF OUTSIDE SALESMEN.

By Charles W. Lapp. Bureau of Business Research, Ohio State University, Columbus, 1951. 320 pages. \$4.00.

*Reviewed by Lloyd M. Powell\**

In this one volume, which contains much useful information, the author has tried to compile and catalog properly the acceptable methods and the personnel needed to provide liaison between the executive office and its field salesmen.

The early pages of the book labor in an attempt to define the subject and to separate precisely such fluid functions as control and supervision. Later on, so much information is given with even emphasis, in an effort to be complete, that it takes real discrimination to follow the text and come up with a plan for outside supervision both simple and understandable. Unfortunately, though perhaps not consciously, the impression is given that almost all supervision is good. But it is to the author's credit that, whenever possible, he has submitted tabulated information from many sources instead of personal opinions and generalities.

As so frequently is the case with sales manuals, the word "salesman" seems to be used to describe a faceless individual capable only of responding like a puppet when, through supervision, the proper strings are pulled. Happily, the effect of this usage is considerably softened when the author asks for recognition of the salesman as a human being. And he suggests really excellent human motivations to inspire a sales force to do better than is demanded by exchange of effort for compensation alone.

This book is strong, perhaps harmful, medicine for those who theorize on supervision. In practical hands, it should be helpful.

\* Vice President, Dictaphone Corporation.

**WOMAN AT WORK: The Autobiography of Mary Anderson.** University of Minnesota Press, Minneapolis, 1951. 266 pages. \$3.50.

*Reviewed by Theresa Wolfson\**

Over 18 million women workers are in our labor force today. They are young and middle-aged; Negro and white; married and unmarried. They perform jobs which require extraordinary skill and precision, and they also are machine-tenders and pen-pushers. Working women are but a recently emerging minority on the American scene; they accompanied the revolution which took place in our industrial processes as well as in the social and cultural patterns of life. They are not generally articulate. Mary Anderson's autobiography, *Woman at Work* (as told to her friend Mary Winslow), reminds us of the special problems working women had, and still have, in addition to the economic problems which face all workers.

Mary Anderson came to the United States as a young immigrant from Sweden; this country was for her, as for millions of other immigrants, the "promised land of opportunity." At first she was a houseworker—which she thoroughly disliked. Then she found a job in a garment factory doing hand finishing on trousers. From this she switched to the shoe industry, where she became a stitcher of linings. For six years she was a casual worker moving from factory to factory searching for "opportunity."

Mary Anderson learned at first hand the bitter humiliation of being fired from a job. She learned that while a strike may dramatize workers' grievances, it is costly and to be avoided if at all possible. And she learned other important facts: "Factory life is not just the work at a machine. You make contacts with other people." To Mary Anderson, a factory was a social as well as an economic institution. One made friends with fellow-workers; one joined a union "just to be friendly"; one went to union meetings to help secure better wages and shorter hours; and above all one learned patience and self-discipline while working with a group.

Believing wholeheartedly in trade-unionism,

\* Professor of Economics, Brooklyn College.

Miss Anderson became the only woman member of the Executive Board of the Boot and Shoe Workers International. For 15 years she was a member of the Chicago Federation of Labor, and she also was a devoted and active worker in the Chicago Women's Trade Union League. Jane Addams, Mary McDowell, and Mrs. Raymond Robins became her mentors and co-workers. She was selected to be the representative of the Women's Trade Union League to work with the United Garment Workers under the first Hart, Schaffner & Marx collective-bargaining agreement. Her job was to educate the union members, as well as the employer, to abide by the agreement. It was not an easy task. Arbitration was in its infancy, and patience and good faith were essential ingredients then, as now, in the successful operation of a collective-bargaining agreement. Miss Anderson's experience with this agreement, which was the first to provide machinery for the adjudication of grievances, proved invaluable to her in her later work.

During the years in which Miss Anderson was an organizer for the Women's Trade Union League, she was active in many different phases of the labor movement: the movement for the shorter working day; the minimum wage; the training of women organizers; the establishment of an immigration committee to orient the new immigrant. Subsequently she was called to Washington to work in the newly established Woman in Industry service in the Department of Labor. The time was World War I, and the need for women workers was great. Mary Anderson and Mary Van Kleeck, a research economist, set up standards of employment, sanitation, and safety for the employers of women workers. They urged employers to hire women personnel workers to train and supervise the new additions to the labor force. Miss Anderson's experience in this area convinced her "that conditions should be regulated and not the person." When the Women's Bureau was established in 1920, it was natural that Miss Anderson should become its first director.

She was responsible for the initiation of hundreds of surveys providing facts, not fiction, about working women. The myth

of the "pin money theory of wages" was laid, as well as that of "women work only until they marry." The Women's Bureau urged "equal pay for equal work" and the elimination of discrimination against married women who had to work and wanted to work. In fact, many of the new and improved conditions surrounding the employment of women workers during and since World War II were initiated as a result of the studies made by the Women's Bureau.

Miss Anderson attended many international conferences on labor legislation. She became closely identified with the leaders of working women throughout the Western world. For a woman who was not able to "talk much" she certainly "got around." In 1945, after serving the people for a quarter of a century under five presidents, both Republican and Democratic, she retired from public office—though not from public life.

#### SUCCESSFUL EMPLOYEE BENEFIT PLANS.

By the Editorial Staff of Prentice-Hall, Prentice-Hall, Inc., New York, 1952. 561 pages. \$8.85.

*Reviewed by Jack C. Staehle\**

Here is a well-organized, concisely written, factual review of many kinds of employee benefit plans. It covers in brief the nature of the problems encountered in the designing, installation, and maintenance of each type of plan. Readers who have had experience with benefit plans will recognize some of the problems as old friends previously encountered under the trial-and-error method. Needless to say, meeting these problems prior to plan installation will save many dollars and increase the plan's value to participants. The book can be of the greatest value to the employer who is planning a new employee benefit. If he will read carefully the facts given him, making sure that he does not undervalue their significance, he will be assisted to a sound installation.

This up-to-date presentation emphasizes the changed attitude of management toward benefit plans. In an earlier day they were regarded in paternalistic fashion as gifts from the parent

\* Director of Industrial Relations, Aldens, Inc., Chicago.

company to its working children, as hedges against unionism, and as salves for the corporate conscience. Today we recognize the importance of such plans to the development of the industrial community—an approach to the restoration of the social significance of the individual at work, which was largely obliterated by the Industrial Revolution. This industrial community is not opposed to the idea of a labor community. Rather, the two must be combined for greatest effectiveness.

Employers cannot expect great and lasting enthusiasm from employees as a result of installing benefit plans. Those who will be vocal in expressing their appreciation of the plans are those who have directly experienced their benefits. To the others the plans will tend to fade into a vague background of working environment. They will think of them not as a series of plans but as a whole program—a suit of armor against adversity. Their eligibility for benefits, if and when they are needed, will give them a sense of mutual participation and security which will foster a higher group motivation and cooperation.

Several times the authors state that this or that benefit plan will attract desirable job applicants, reduce labor turnover, increase production, and improve morale. These are time-honored claims which have been used to sell such plans to management. No doubt they do play a part in accomplishing these goals. It is, however, our experience that their success is proportionate to their importance in a complete benefit program which has been tailored to the needs of a particular employee group. Employee benefit plans are not a panacea for labor troubles. They constitute a portion—and an important one—of a well-rounded labor program. If we were to compare the entire employee-employer program to an automobile, we might call employee benefit plans the "shock absorbers." We could get by without them, but it would be a pretty rough ride.

Threaded through the text of this book is the thought that business men have been late in recognizing their social responsibilities to their employees. Government has seized the initiative and is writing a new chapter in labor legislation. If business will anticipate the need for and install adequate employee benefit plans,

it will be able to supply security to employees at a much lower cost than is likely under government-supervised plans. Voluntary action today will prevent a heavier tax load in the future.

**PERSONNEL ADMINISTRATION.** By William W. Waite. The Ronald Press Company, New York 10, 1952. 683 pages. \$7.00.

*Reviewed by Ernest de la Ossa\**

Generally speaking, this is a well-written, up-to-date, readable, profusely illustrated book which can be used not only as a textbook for the student or individual desirous of learning about personnel administration, but also as a handbook for the operating executive who needs help on a specific problem.

The book's chief virtue is that, in addition to the wealth of facts and illustrative examples it contains, it puts a much-needed emphasis on the philosophical aspects of many of the problems of personnel administration. It is really two books, the first three chapters being a history of the development of the fundamental philosophies of personnel administration. This section should really be "must" reading for personnel management. It traces the development of the simple master craftsman-j journeyman relationship to the complex situation of today where the two principal groups on the industrial scene must deal with each other through third parties. Also discussed in this section is the individual in a work situation—the desire for security, recognition, power, and other basic drives.

Professor Waite states the purpose of personnel administration very clearly: "to organize and integrate the efforts of human beings with material resources for the production of goods and services in the most efficient manner"—a purpose he keeps in mind when discussing even the smallest procedural detail. It is this constant reference to basic personnel philosophy that sets his book apart from so many other handbooks on personnel administration.

Emphasis is placed on the physical layout and appearance of the Personnel Department.

\* Director of Personnel, National Broadcasting Company, Inc., N. Y.

Professor Waite begins with the planning and organization of a personnel administration program, goes on to the recruitment of a work force, and then to "keeping the work force going" and "dealing with the work force."

There are many very good illustrations ranging from organization charts and personnel forms to "before and after" photographs of wash rooms and office lighting systems. These are actual installations in use in some of the largest corporations, not synthetic material made up for the book.

Most phases of personnel administration are

dealt with very thoroughly. Especially good are the sections on job evaluation, merit rating, and such neglected subjects as "turnover." Fuller treatment, however, might have been given to employee services and executive training, the latter being particularly neglected.

All in all, *Personnel Administration* is a very complete, up-to-date, well-written and well-illustrated handbook, making good use of the illustrative example and embellished, to its credit, with some very fine material on the development of basic personnel administration philosophies.

### Briefer Book Notes

[Please order books directly from publishers]

#### GENERAL MANAGEMENT

**THINKING AHEAD FOR BUSINESS.** Edited by Edward C. Bursk. Harvard University Press, Cambridge, 1952. 215 pages. \$3.25. This volume is based on the proceedings of the Twenty-First National Business Conference, sponsored by the Harvard Business School Association in June, 1951, whose purpose was "to consider the major political, economic, and sociological forces throughout the world which promise to have such a profound effect on the future course of American business." The questions posed were: (1) "What are the patterns and prospects of these forces?" and (2) "What problems, opportunities, and responsibilities do they present to you—the American business man—now and in years to come?" Accordingly, the published material is divided into two parts: I—External Forces, and II—Internal Problems. A bibliography enables interested readers to follow any particular topic further.

**DU PONT: *The Autobiography of an American Enterprise.*** Distributed for E. I. du Pont de Nemours & Company, Wilmington, Del., by Charles Scribner's Sons, New York, 1952. 138 pages. \$5.00. This handsome volume is published in commemoration of the 150th anniversary of the founding of Du Pont on July 19, 1802. It traces the development of the company from a single powder mill on Brandywine Creek to a national institution.

**WE NEVER CALLED HIM HENRY.** By Harry Bennett, as told to Paul Marcus. Gold Medal Books, Fawcett Publications, Inc., New York, 1951. 180 pages. 25 cents. An addition to the growing shelf of Fordiana—the intimate story of a 30-year association with the great industrialist.

**RESOURCES FOR FREEDOM.** Report of the President's Materials Policy Commission, June, 1952. Volume I—*Foundations for Growth and Security*, 184 pages (\$1.25); Volume II—*The Outlook for Key Commodities*, 210 pages (\$1.50); Volume III—*The Outlook for Energy Sources*, 43 pages (50 cents); Volume IV—*The Promise of Technology*, 228 pages (\$1.75); Volume V—*Selected Reports to the Commission*, 154 pages (\$1.25). For sale by the Superintendent of Documents, Government Printing Office, Washington 25, D. C. The President's Materials Policy Commission was created on January 22, 1951, to study the materials problem of the United States and its relation to the free and friendly nations of the world. The first volume of the commission's report offers a summary and broader analysis of the materials problem and recommendations for its solution. The second presents a long-range survey of prospects for

30 key commodities, including metallic and nonmetallic minerals, chemicals, and rubber; and the third takes up the major sources of energy—coal, electric power, natural gas, and oil. The role technology can play in meeting future materials needs is brought out in a long list of individual studies in Volume IV. Finally, the fifth section of the report surveys the present policy of the United States and Canada toward the mineral industry; analyzes the current condition and future prospects of renewable resources, principally those of the United States; and explores the many ramifications of existing United States policy toward the development and acquisition of materials abroad.

**HOW TO USE A BUSINESS LIBRARY**, with *Sources of Business Information*. Prepared by H. Webster Johnson and Stuart W. McFarland. South-Western Publishing Company, Cincinnati 2, Ohio, 1951. 122 pages. 35 cents. In this manual the various sources of data available to the business man are discussed under 10 headings: handbooks and yearbooks; periodicals, reports, and pamphlets; general-purpose directories; business, economic, and financial services; business directories; government publications; publications of regulatory and quasi-governmental bodies; research foundations; trade, industrial, commercial, and technical organizations; and encyclopedias, dictionaries, and almanacs. Additional sections deal with the use of the library and the preparation and presentation of the research report.

**UNIVERSITIES AND INDUSTRY**. Published by the Anglo-American Council on Productivity, November, 1951. Available from the Office of Technical Services, U. S. Department of Commerce, 801 E Street, N. W., Washington, D. C. 29 pages. 65 cents. In this pamphlet the team of British specialists which visited the United States in 1951 reports on college-level education in general as it seemed to the visitors, engineering and science education, research in American universities and colleges, and the relation between American industry and education.

**EXECUTIVES FOR THE FEDERAL SERVICE: A Program for Action in Time of Crisis**. By John J. Corson. Columbia University Press, New York, 1952. 91 pages. \$1.50. A persuasive statement of the critical problems arising out of the present shortage of top-caliber executives in government positions. The author examines the reasons why it has become increasingly difficult to recruit able executives for government service. He then discusses several remedies for the "executive crisis," and outlines programs for immediate action and for long-term improvement.

**WAKE UP YOUR MIND: 101 Ways to Develop Creativeness**. By Alex Osborn. Charles Scribner's Sons, New York, 1952. 277 pages. \$3.00. Mr. Osborn, author of *Your Creative Power*,\* aims to help readers achieve greater happiness, for themselves and others, through enlivening their imaginations. "The more creative we try to be," he says, "the more creative we become; and the more creative we are, the more we can get out of life." The first part of the book shows how creative imagination can be developed through reading, games, sports, travel, the fine arts, writing, and the like, and subsequent chapters deal with the application of this heightened creativity to the problems of everyday living.

## PUBLIC RELATIONS

**A SURVEY OF ECONOMIC EDUCATION**. By C. W. McKee and H. G. Moulton. The Brookings Institution, Washington, D. C., 1951. 63 pages. 50 cents. This survey, undertaken for the Sloan Foundation of New York, discusses the various types of educational programs now being experimented with by industrial companies and associations, labor organizations, and special agencies organized specifically for the purpose of educating the public. Portions of the survey have appeared in *Fortune*.

**TALKING IT OVER WITH EMPLOYEES, STOCKHOLDERS, AND DEALERS**. Prepared by the Industrial Relations Division, National Association of Manufacturers, 14 West 49 Street, New York 20, N. Y., 1952. 65 pages. Single copies gratis. "A tool to simplify the task of top management

\* See "Briefer Book Notes," *MANAGEMENT REVIEW*, November, 1951.

in telling the enterprise story." Containing actual facsimiles of company talks, letters, and bulletins, this booklet offers specific ideas on what to talk about and specific ways for getting more information to employees, stockholders, suppliers, and dealers. It is particularly suited to the needs of the smaller company, although its usefulness is by no means limited to organizations of any size or status.

## COMMUNICATION\*

**PICTOGRAPHS AND GRAPHS: How to Make and Use Them.** By Rudolf Modley and Dyno Lowenstein. Harper & Brothers, New York, 1952. 186 pages. \$4.00. An earlier version of this book, published in 1937 under the title *How to Use Pictorial Statistics*, explained a then little known technique for presenting and dramatizing statistical information. The new volume is a complete, up-to-date guide to the now highly developed technique of creating and using pictographs and graphs. The authors discuss the theory of graphic treatment, the selection of symbols, sources and uses of statistical material and its adaptation to a particular audience, the pictographer's tools, and the preparation of final art work.

**COMMUNICATION OF TECHNICAL INFORMATION.** By Robert M. Dederich. Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y., 1952. 116 pages. \$5.00. Written from the business manager's point of view, this book evaluates methods of communication with the following fundamentals in mind: Why is the transfer of information necessary? Who can use the information? How will it be used? The stress is on the thinking and logic which must underlie the communication of information by technical personnel, and the book covers not only written reports but inter-organization memos, progress statements, and oral presentations in conferences.

**THE RESEARCH PAPER.** By Florence M. A. Hilbush. Bookman Associates, Inc., 34 East 23 Street, New York 10, N. Y., 1952. \$2.95. Although this book is primarily intended for use in English classes, it should prove helpful to all students, writers, editors, research workers, and laymen who occasionally need to prepare an objective report. Dr. Hilbush proceeds logically from preliminary matters such as planning and selecting a subject to the use of the library, techniques of investigation, and the preparation of the manuscript itself—including text, documentation, and final bibliography.

**REPORT PREPARATION—Including Correspondence and Technical Writing.** Second Edition. By Frank Kerekes and Robley Winfrey. The Iowa State College Press, Ames, Iowa, 1951. 448 pages. \$6.90. This comprehensive guide to effective report writing was originally published as a textbook for use at the Iowa State College. With its second edition, it has been completely revised for general business use. Covers the organization of the report material—e.g., preparation of outlines and other steps in the preliminary preparation of the manuscript; proper use and organization of references, bibliographical materials, etc.; use of questionnaire and interview results in reports; mechanics of style; format and arrangement; use of illustrations; writing of the first draft and revision; and special requirements for various types of reports. A comprehensive treatment of English and composition is omitted in the interests of concentrating attention on the specialized aspects of report-writing, but the authors devote one chapter to effective writing which presupposes a good basic knowledge of usage on the part of the reader and whose purpose is to help him to adapt his reporting style to the demands of his material.

**BUSINESS AND PROFESSIONAL SPEECH.** By Lionel Crocker. The Ronald Press Company, New York, 1951. 463 pages. \$4.00. Designed specifically for the practical needs of the business or professional man, this volume offers a thorough study of the relationships between speaker, speech, audience, and occasion—the four fundamentals of the speech situation. The author explains the importance of human motives and their use by the speaker, emphasizing, at the same time, the need for high ethical standards and sincerity. The text is liberally illustrated with selections and complete speeches by leaders in public life.

\* This section includes material of general interest in this field. Other, more specialized publications dealing with communications appear under their respective section headings.

## PERSONNEL MANAGEMENT

**FRONTIERS OF PERSONNEL ADMINISTRATION.** Columbia Industrial Reports, 1951 Series, No. 1, Department of Industrial Engineering, Columbia University, New York, 1951. 151 pages. Limited number of copies available at \$12.50. Phases of personnel administration for which new techniques and developments are here reported include: member-centered conferences, executive development in the personnel function, executive and supervisory training and development, communications, flexibility and tolerance in labor-relations systems, worker participation on production problems, the budgeting of industrial personnel, and personnel and the community. An industrial-personnel bibliography is included in the volume.

**CHANNELS OF EMPLOYMENT: Influences on the Operations of Public Employment Offices and Other Hiring Channels in Local Job Markets.** By Murray Edelman, assisted by Betty J. Swoboda, Paul Kliger, et al. Institute of Labor and Industrial Relations, University of Illinois, Urbana, Ill., 1952. 210 pages. \$3.50 (paper-bound, \$2.50). As the author of this study observes, the success of employers in finding the right men for their job openings and the ability of job seekers to find satisfying work depend very largely upon local institutions for matching available manpower with available jobs. This report presents the results of a study of the operations of hiring channels in eight Illinois communities during the period between November, 1948, and March, 1950. Its objective was to analyze the institutions by which local hiring is arranged, especially the public employment offices. Among the significant aspects of the study are the analysis of similarities and differences between employer attitudes in different-sized communities and establishments and the descriptions of the multiple private and public organizations which help channelize the flow of labor from unemployment to employment and from job to job.

**AMERICA'S MANPOWER CRISIS: The Report of the Institute on Manpower Utilization and Government Personnel, Stanford University, August, 1951.** Edited by Robert A. Walker. Public Administration Service, 1313 East 60 Street, Chicago, Ill., 1952. 191 pages. \$3.00. This collection of papers by prominent representatives of industry, government, and education, taken together, represents a comprehensive and authoritative statement of our present and imminent manpower problems under a continuing mobilization economy. Covers problems of manpower utilization in both defense and civilian industries, present and future military manpower policies, means of making better use of available manpower, problems of recruiting and developing executive manpower for public administration, and other related aspects of the manpower situation.

**JOB EVALUATION IN DEPARTMENT STORES.** By William R. Spriegel and Elizabeth Lanham. Personnel Studies No. 2, Bureau of Business Research, College of Business Administration, University of Texas, Austin, 1951. 139 pages. \$1.00. Six major areas of discussion are included in this report: history of job evaluation in department stores; steps taken to secure employee cooperation; bases for selecting a job-rating method; installation of the program; measures taken to insure company acceptance of, and advantages gained from, the program; and procedures followed in maintaining the program. Information was obtained from 22 stores, out of 207 surveyed, that reported formal plans of job evaluation.

**JOB EVALUATION IN BANKS.** By William R. Spriegel and Elizabeth Lanham. Personnel Study No. 3, Bureau of Business Research, College of Business Administration, University of Texas, Austin, 1951. 136 pages. \$1.00. This bulletin describes the methods followed in installing and maintaining job evaluation programs in 70 banks, out of a total of 290 surveyed, that reported having such programs. Securing the cooperation of supervisors and employees, selecting a job-rating procedure, and insuring company acceptance all are discussed, and numerous tables and supplementary material are provided.

**PROCEEDINGS OF THE FIFTH CONFERENCE OF THE TRAINING WITHIN INDUSTRY FOUNDATION, September 19-21, 1951.** Available from the Training Within Industry Foundation, Summit, N. J. 138 pages. \$9.95, plus postage. The theme of this conference was "Tooling up for 1952's Training Challenge." Included in the published proceedings are sessions on "Anticipating the Training Needs," "Selecting the Training Tools," "Installing the Training Tools," and "Getting Maximum Results."

**TOWARD WORKER SECURITY.** Report of a special committee, Chamber of Commerce of the United States, Washington, D. C., 1951. 19 pages. Single copies 25 cents. A discussion of the concept of security, the foundations on which it rests, the major economic risks that confront the worker, the steps that have already been taken on public and private initiative to guard against them, and suggested action for the future.

**GUIDE FOR PLANNING: SUPERVISORY DEVELOPMENT IN FEDERAL AGENCIES.** Inspection Division, U. S. Civil Service Commission, September, 1951. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 16 pages. 5 cents. While this pamphlet was designed as a general guide for government agency and bureau heads, it should interest all those in private industry who are concerned with improving the quality of supervision. It represents the best current opinion of many persons who have been in a position to observe and judge supervisory development programs.

**SELECTION, TRAINING, AND USE OF PERSONNEL IN INDUSTRIAL RESEARCH: Proceedings of the Second Annual Conference on Industrial Research, June, 1951.** Sponsored by the Department of Industrial Engineering, Columbia University. David B. Hertz, Editor; Albert H. Rubenstein, Assistant Editor. King's Crown Press, New York, 1952. 274 pages. \$4.50. The Second Annual Conference on Industrial Research had as its objective a wider understanding and deeper comprehension of the problems involved in selecting and training research personnel. In the published proceedings the formal papers and the discussion material directly applicable to them—indicative of the wide range of interest which now exists in the field of research administration—are presented first, followed by the discussion material from the informal clinic sessions held throughout the conference.

## INDUSTRIAL RELATIONS

**AMERICAN LABOR UNIONS: What They Are and How They Work.** Revised edition. By Florence Peterson. Harper & Brothers, New York, 1952. 270 pages. \$3.50. Originally published in 1945, this is a basic survey of labor unions in the United States. Directories of labor organizations and a glossary of labor terms make the book especially valuable for reference. The revised edition not only takes into account the numerous changes that have taken place on the labor front in recent years but also includes two new chapters on the international relations of American labor.

**UNION SOLIDARITY: The Internal Cohesion of a Labor Union.** By Arnold M. Rose. University of Minnesota Press, Minneapolis, 1952. 209 pages. \$3.00. A socio-psychological study of the membership of a typical large union local—Teamsters Local 688 of St. Louis. Findings reveal how labor leaders can educate their members toward specific viewpoints, what kinds of union activity and achievement are most responsible for a union's internal strength, and how criticism of a union on the part of its members can be compatible with basic loyalty to the union.

**READINGS IN LABOR ECONOMICS AND INDUSTRIAL RELATIONS.** Edited by Joseph Shister. J. B. Lippincott Company, Chicago, 1951. 661 pages. \$4.75. Though designed primarily for use in courses in labor problems, labor economics, collective bargaining, or industrial relations, this text will be of interest to industrial relations and other executives. Comprises a well-organized and judiciously selected grouping of essays on such basic topics as "The American Working Class," "Trade Unionism," "Collective Bargaining," "Employment Security," and "Income and Leisure Security." Though most of the authors are from academic life and government service, members of labor and management are also represented.

**CAUSES OF INDUSTRIAL PEACE UNDER COLLECTIVE BARGAINING.** By George W. Zinke. Case Study No. 9, National Planning Association, 800 21 Street, N. W., Washington 6, D. C., October, 1951. 96 pages. \$1.00. A comprehensive report showing how the Minnequa plant of the Colorado Fuel and Iron Corporation, at Pueblo, Colo., and two locals of the United Steelworkers of America (CIO) have overcome a number of problems common to many

companies in the steel industry. Mr. Zinke gives detailed information as to management's system of industrial relations and the union's approach to its responsibilities; he devotes special attention to the way in which new techniques have been developed jointly under the contract and to the successful and practical results in connection with such complex questions as seniority, technological displacement, grievance handling, apprenticeship training, safety, and wages.

**SAMPLING: Elementary Principles.** By Philip J. McCarthy. Bulletin No. 15, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York, April, 1951. 32 pages. Gratis to residents of New York State; 25 cents to others. A brief, technical discussion of some of the aspects of sample design as they might be applied to the study of various phases of industrial and labor relations. A selection of the more useful techniques is covered, with respect to both theory and practice.

## OFFICE MANAGEMENT

**MAKE YOUR BUSINESS LETTERS MAKE FRIENDS.** By James F. Bender. McGraw-Hill Book Company, Inc., New York, 1952. 250 pages. \$3.50. Based on a firm belief in the value of the well-written letter, this book gives rules for clear and concise business writing and shows how to measure letter-writing ability; develop an individual style; avoid wasteful words, poor organization, and trite expressions; and write dynamic letters that really produce results. A chapter on the art of dictation is addressed to both the business man and his secretary. The book stresses friendliness in written correspondence as a means of building morale among customers and clients and takes into account the fact that every good business letter must meet the requirements of particular circumstances and problems.

**PUNCHED CARDS: Their Applications to Science and Industry.** Edited by Robert S. Casey and James W. Perry. Reinhold Publishing Corporation, 330 West 42 Street, New York 36, N. Y., 1951. 506 pages. \$10.00. This book is directed principally to the needs of the individual scientist, engineer, or other technologist in laboratory, field, industrial plant, library, school, or executive office. The various chapters, each by a different author, describe the application of punched-card techniques—in their present stage of development—to individual problems. Both hand-sorted, edge-punched cards and machine-sorted cards are discussed, and abundant case histories and examples of use are cited.

**TRAINING PROGRAMS FOR OFFICE SUPERVISORS AND EXECUTIVES.** Report No. 594. The Dartnell Corporation, Chicago, 1951. 110 pages (including exhibits), loose-leaf bound. Describes programs for training of office supervisors and executives in a number of prominent companies, with exhibits of materials used in training, rating, and development. Most of the text consists of direct quotes from the contributing companies about various aspects of their training program.

## PRODUCTION MANAGEMENT

**ACCIDENT PREVENTION MANUAL FOR INDUSTRIAL OPERATIONS.** Second edition. National Safety Council, Inc. 425 North Michigan Avenue, Chicago 11, Ill., 1951. 809 pages. \$9 to members and \$18 to non-members. This detailed compilation of the hazards of unsafe conditions and practices common to most industrial operations is divided into 26 sections which are available in reprint form for distribution to supervisors, foremen, and others. Typical subjects are boilers, power presses, metalworking machinery and abrasive wheels, flammable liquids, and industrial poisons; also, permanent structure and plant layout, maintenance and maintenance crews, storage and manual handling of material, personal protective equipment, and industrial health engineering. The information contained in the first edition of the manual has been greatly expanded, both in the scope of the subjects treated and in the detail provided by the various sections. A particularly valuable new section is that on "The Safety Man's Resources." Here are listed all the organizations and publications with which the safety engineer should be familiar if he is to have command of his field.

**HANDBOOK OF HUMAN ENGINEERING DATA FOR DESIGN ENGINEERS.** Prepared for the Special Devices Center, Office of Naval Research, by the Institute for Applied Experimental Psychology, Tufts College, Medford 55, Mass., 1949. \$5.00. This handbook is intended for the design engineer and all others who deal with the interrelations between men and machines. Not a finished work, it is in loose-leaf form so that additional material may be added and confusing or less useful information perhaps deleted. The Institute will welcome pertinent comment from users.

**TECHNIQUES OF PLANT MAINTENANCE, 1951.** Proceedings of the Technical Sessions (sponsored by the American Society of Mechanical Engineers and the Society for the Advancement of Management) held concurrently with the Second Plant Maintenance Show, Cleveland, Ohio, January, 1951. Published by Clapp & Poliak, 341 Madison Avenue, New York, N. Y., 1951. 223 pages. \$6.00. In addition to so-called "general" sessions, those interested in plant maintenance will find in this volume reports of sessions on electrical equipment, power plant and heating equipment, small plants, lighting equipment, chemical plants, paper and paper products, food-processing plants, metalworking plants, and applied lubrication. All papers and discussions are included, together with answers prepared by speakers for the many questions that time did not permit them to deal with at the sessions.

**FACTORY PLANNING AND PLANT LAYOUT.** By William Grant Ireson. Prentice-Hall, Inc., New York, 1952. 385 pages. \$7.35. This new textbook stresses the development of the analytical approach to the planning of factories, stores, farms, and other establishments. Strong emphasis is placed on the relationship between production processes and plant layout and the use of engineering economy in solving problems. The problems in the book are designed for student solution and can be varied by changing the quantities given or the production capacity of the machines and processes involved.

**GETTING MILITARY WORK.** By Walter Lord. Business Reports, Inc., 225 West 34 Street, New York, 1951. 177 pages, loose-leaf bound. \$12.50. A factual guide to planning for military business. Offers help for determining what products the government's mobilization program calls for and where the individual manufacturer can best fit into the defense production picture. Also offers a number of practical suggestions for easing the conversion from civilian to partial or total military production. In addition, several well-documented chapters detail how military buying works.

## **PACKAGING AND MATERIALS HANDLING**

**TESTING THE PHYSICAL CHARACTERISTICS OF PACKAGES AND PACKAGING MATERIALS.** Container Laboratories, Inc., 45 East 22nd Street, New York, N. Y. 16 pages. Gratis. Described in this illustrated brochure are some of the principal machines and devices used to predetermine the probable performance of containers and packaging materials when they are put into actual use. Such performance tests, simulating the actual conditions and stresses to be encountered by the packages, assure shippers of properly protected packaged products—and, as corollaries, fewer damage claims and increased customer satisfaction.

**INDUSTRIAL MATERIALS HANDLING.** By Curtis H. Barker, Jr., rewritten and revised by Irving M. Fottlik, Charles F. Yarham, and J. Francis Carle. Lincoln Extension Institute, Inc., 1401 West 75 Street, Cleveland 2, Ohio, 1950. 381 pages. \$4.75. Many authorities in the field of materials handling—engineers, manufacturers of handling equipment, instructors, writers, and the like—contributed to the making of this comprehensive textbook. Among the subjects discussed are the development and scope of materials handling; the fundamentals of materials-handling operations; the selection and use of floor equipment, conveyors, overhead equipment, trucks, etc.; the pallet system; unit loads; plant layout; making a materials-handling analysis; a typical industrial solution; and materials-handling organization. Many charts, tables, and other supplementary matter are included.

**MODERN PACKAGING ENCYCLOPEDIA—1952.** Published by the Packaging Catalog Corporation, 575 Madison Ave., New York 22, N. Y. 584 pages. \$2.00. The latest edition of this useful volume has been organized to meet the packager's needs "in an economy dominated by shortages, increasing controls, and record military and civilian demand." Essential background information has been condensed, the buyers' directory has been carefully revised and expanded, and a bibliography of references and source materials has been added. Major emphasis is placed on new developments and solutions to current packaging problems.

## MARKETING

**HOW TO HOLD AND DEVELOP CUSTOMERS.** By Charles B. Roth. Prentice-Hall, Inc., New York, 1952. 190 pages. \$4.25. Tested formulas for building customer confidence and getting bigger orders, following up new orders and creating permanent good will, avoiding "customer neglect," selling quality instead of price, and so on. Of special interest is the chapter on how to handle 40 types of customers: "The Tight Mouth," "Mr. Snob," "I'm Too Busy," "The Goodtime Charlie," "Let's Wait a Few Weeks," and 35 others.

**PROFITABLE ADVERTISING IN TODAY'S MEDIA AND MARKETS.** By Ben Duffy. Prentice-Hall, Inc., New York, 1951. 416 pages. \$5.65. A complete and detailed account of each step involved in the scientific selection and most effective use of each type of medium: newspapers, magazines, business papers, farm papers, outdoor advertising, radio, and television. Each is analyzed from the standpoint of circulation, economy of rate, editorial policy, size of space, position, competition, and type of reader attracted. Instructive case histories accentuate the broad outlines of principle.

**AMERICA'S TWELVE MASTER SALESMEN.** With an introduction by Harry R. White. B. C. Forbes & Sons Publishing Co., Inc., 80 Fifth Avenue, New York 11, New York, 1952. 199 pages. \$3.00. In this volume 12 distinguished Americans in dissimilar fields describe the techniques exercised in their rise to fame and fortune. Excellent salesmanship is the common denominator here, and the 12 accounts are worthy of study by all practicing salesmen and salesmen in training.

**A GUIDE TO FILMS AND THEIR USES BY SALES EXECUTIVES.** Prepared by National Sales Executives Film Handbook Committee. National Sales Executives, The Shelton, New York 17, N. Y., 1951. 45 pages. \$3.00. This is a reference handbook listing the responsibilities of a sales manager and, under each heading, the ways in which different companies have used films to solve related problems, together with suggestions for taking advantage of their experience. Additional aids to the sales manager planning to use films are chapters on syndicate films available, conducting a sales meeting with the help of films, getting a film produced, and reference material.

**SUCCESSFUL PRIZE CONTESTS.** By Zenn Kaufman and Lester M. Cone, Jr. Prentice-Hall, Inc., New York, 1951. 567 pages. \$7.50. In this useful volume the authors explore the versatility of contests as multipurpose marketing tools. Chapters deal with every aspect of contests from why people compete through objectives, themes, strategies, promotion media and techniques, rules, judging, and awards to the "professional" contestant and legal problems. An appendix contains 44 case histories which should prove particularly valuable.

## FINANCIAL MANAGEMENT

**EFFECTS OF TAXATION: DEPRECIATION ADJUSTMENTS FOR PRICE CHANGES.** By E. Cary Brown. Division of Research, Harvard Business School, Soldier's Field, Boston 63, Mass., 1952. 161 pages. \$3.25. This book deals with the problem, as yet unresolved, of making proper adjustment for the gap between historical costs and replacement costs of capital assets in measuring

depreciation and business income. The author provides estimates of the amounts of differences in income arising from differences between original and replacement costs, analyzes the accounting and business attempts to deal with the problems raised, and appraises the proposals to modify the tax law to allow depreciation deductions to be calculated on replacement cost.

**MANAGEMENT PLANNING FOR CORPORATE TAXES.** Prepared by William J. Vatter for Controller-ship Foundation, Inc., 1 East 42 Street, New York 17, N. Y., 1951. 52 pages. \$4.00 to non-members. This report is based on a study of 400 actual case experiences gathered by the author and the accounting staff of the University of Chicago's School of Business. It emphasizes the fact that federal tax considerations may be involved whenever corporate management makes an important operating or policy decision, and it points out that the tax impact may be lightened, or staved off, through changes in timing, changes in accounting methods, or other means.

**SECURITY ANALYSIS.** By Benjamin Graham and David L. Dodd, with the collaboration of Charles Tatham, Jr. Third Edition. McGraw-Hill Book Company, Inc., New York, 1951. 770 pages. \$8.00. Of interest both to investors and to students of finance, this handbook clearly describes the fundamentals of investment practice and offers the reader practical guidance for appraising the intrinsic value of common stocks and bonds. New features of this completely revised and rewritten edition include up-to-date material on techniques of appraisal and standards of measurement for investment securities, particularly with respect to common stock valuation; special chapters on analysis of public-utility statements and on the valuation of public utility common stock; and new material on stockholder-management relations.

**THE LEASE AS A FINANCING AND SELLING DEVICE.** By Wilford John Eiteman and Charles N. Davission. Report No. 20, Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, 1951. 108 pages. \$2.50. An attempt to develop a theory of the use of the lease, to answer the question "Why, and under what circumstances, should a manufacturer lease rather than purchase land, buildings, and machinery?"

**INDUSTRIAL INTERNAL AUDITING.** By W. A. Walker and W. R. Davies. McGraw-Hill Book Company, Inc., New York, 1951. 329 pages. \$5.00. Outlines the practices and principles of internal auditing, emphasizing its use as a profitable management tool. Subjects covered include types of internal audits, internal audit reports, methods of dealing with fraud, the standards embodied in internal auditing as a profession, etc. Both basic and auxiliary controls are discussed, and many case histories are included to illustrate particular functional audits.

## INSURANCE

**PRINCIPLES OF INSURANCE.** By Robert I. Mehr and Emerson Cammack. Irwin Series in Insurance, Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Ill., 1952. 799 pages. \$7.65. Though designed for use as a college text, this book provides a basic background for insurance buyers. The approach is that of the consumer—a method of presentation tested by the authors for several years at the University of Illinois. Rather than treating each branch of the insurance business separately and completely, the volume seeks to develop principles that can be used in understanding any insurance company, contract, or practice.

**WHO WRITES WHAT?** Eleventh annual edition. National Underwriter Company, 420 East 4 Street, Cincinnati 2, Ohio, 1952. 240 pages. \$3.50. A compilation, by subject, of the current practices and contracts of life insurance (and accident and health insurance) companies, prepared with the cooperation of a representative group of interested firms.

**PRODUCTS LIABILITY AND THE FOOD CONSUMER.** By Reed Dickerson. Little, Brown and Company, Boston, 1951. 339 pages. \$7.00. A comprehensive treatment of civil liability for defective food products—one of the most litigated of all consumer commodities. Provides answers to questions dealing with the basis of recovery, damages, legislation relating to food cases, civil action in food cases, and many other problems. Of interest to manufacturers of products

other than food is the author's detailed analysis of the theories of recovery, which provides a valuable basis for dealing with cases of injury from defective machinery, drugs, cosmetics, and other manufactured products. Also helpful in this connection is a special appendix providing a full list of authorities—texts, articles, and notes—on general products liability.

**COVERAGES APPLICABLE.** Seventh Edition. By Irving Williams and James R. Gregory. The Rough Notes Co., Inc., P. O. Box 564, Indianapolis 6, Ind., 1951. 63 pages. \$2.50. Under headings ranging from "Agricultural Risks" to "Wholesalers and Distributors," this usable volume lists all the various and often confusing types of insurance that might be employed. Its brief, concise paragraphs explain each coverage in a way that both the insurance man and his client can readily understand.

## Publications Received

[Please order directly from publishers]

**THE LABOR FORCE IN WAR AND TRANSITION—FOUR COUNTRIES.** By Clarence D. Long. National Bureau of Economic Research, Inc., 1819 Broadway, New York, 1952. Occasional Paper 36. 61 pages. \$1.00.

**FILM GUIDE FOR DEPARTMENT & SPECIALTY STORES.** Edited by Helen McKee et al. Staff Service Bulletin No. 16. Film Research Associates, 150 East 52 Street, New York 22, N. Y. 1952. 44 pages. \$2.00.

**NEW YORK GENERAL INSURANCE MANUAL.** By Milton C. Jacobs. Aberdeen Press, Inc., 214 William Street, New York, 1952. 437 pages. \$7.50.

**LAW IN ITS APPLICATION TO BUSINESS.** By William H. Schramper. Rinehart & Company, Inc., New York, 1952. Revised edition. 1093 pages. \$7.50.

**OUTLINE OF LIFE INSURANCE.** By Milton C. Jacobs. Aberdeen Press, Inc., 214 William Street, New York, 1950. Second edition. 232 pages. \$6.00.

**THE ACCOUNTANCY OF CHANGING PRICE LEVELS.** The Institute of Cost and Works Accountants, Limited, 63 Portland Place, London, W.1. 1952. Abridged version. 24 pages. 40 cents.

**ELEMENTS OF STATISTICAL METHOD.** By Albert E. Waugh. McGraw-Hill Book Company, Inc., New York, 1952. Third Edition. 531 pages. \$5.50.

**THE EXCESS PROFITS TAX.** By Alger B. Chapman and Brady O. Bryson. Practicing Law Institute, 57 William Street, New York, 1951. 83 pages. \$2.00.

**FEDERAL ESTATE TAX.** By Adrian W. De Wind and Herrick K. Lidstone. Practicing Law Institute, 57 William Street, New York, 1951. 169 pages. \$2.00.

**TRANSPORTATION: Principles and Problems.** By Truman C. Bigham and Merrill J. Roberts. McGraw-Hill Book Company, Inc., New York, 1952. New Second Edition. 710 pages. \$6.00.

**JOBINEERS: A Plan to Help the Marginal Unemployed.** By Carl C. Rutledge. Vantage Press, Inc., 230 West 41 Street, New York, 1952. 111 pages. \$2.50.

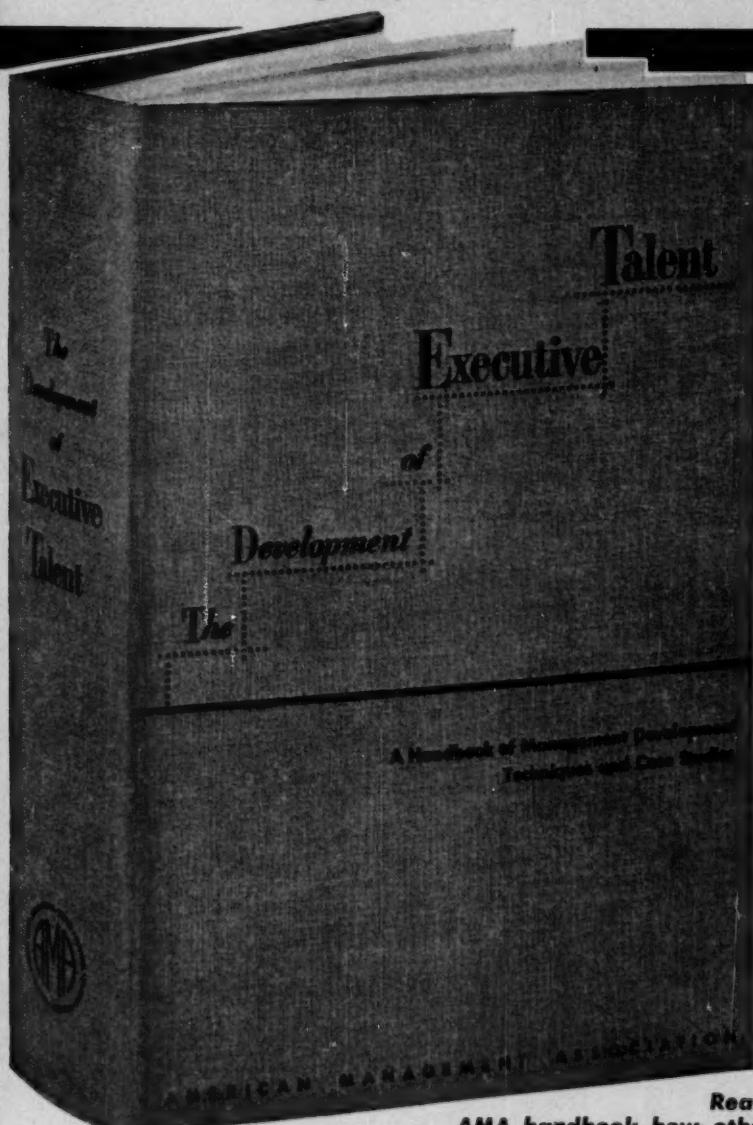
**AN INTRODUCTION TO THE ANTITRUST LAWS.** By Arthur T. Dietz. Bookman Associates, 1951. 84 pages. \$2.00.

**OFFICE AND SECRETARIAL TRAINING.** By Rufus and Blanche G. Stickney, Helen J. Horton, and Harriet S. Weil. Prentice-Hall, Inc., 70 Fifth Avenue, New York, 1952. 388 pages. \$3.20.

**A HISTORY OF PHELPS DODGE: 1834-1950.** By Robert Glass Cleland. Alfred A. Knopf, New York, 1952. 329 pages. \$4.00.

**THE GIFT TAX.** By George Craven. Practicing Law Institute, 57 William Street, New York, 1951. 95 pages. \$2.00.

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